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The poor of the world

THE WORLD Development Report, 1978, published by the World Bank, is first of a projected series of annual reports intended to analyse global development issues. The present volume does not display many new insights either into the problems of the developing countries or possible solutions to them. Nevertheless, it could be a useful contribution to the North-South dialogue by informing the developed countries in particular of how they could assist in springing the trap of absolute poverty in which some 800 million men and women living in the under-privileged areas of the world are caught.

Developing countries have been discussed under the classification of low-income countries, with per capita income of US $250 and below and middle-income countries with per capita income above US $250. During the past quarter century, there has been considerable progress in most developing countries, as judged by the fact that, in virtually all of them, income has risen faster than population. This economic growth has been accompanied in some measure by the alleviation of certain adverse circumstances of life such as malnutrition, illiteracy, diseases, squalid surroundings, high infant mortality and low life expectancy. Predictably this improvement has not been evenly spread, some developing countries having done better than the others. However, what is disconcerting is that, inmany of these countries, with conspicuously large populations, the rate of progress has been so slow or unsure that, in all probability, there will be no real escape for these people from the cruel constraints and compulsions of absolute poverty even by the end of the present century.

What could be done to improve matters, whether by the affected countries themselves or by those who are willing or able to assist them, or, more realistically jointly by both? The immediate problem here is to enable as many low-income countries as possible to move into the bracket of the middle-income countries as early as possible. To put it differently, the priority for development policies should surely be to help countries with per capita incomes below US $250 to cross the poverty barrier.

One of the more interesting aspects of the progress which the developing countries as a whole have been making over the last two or three decades is the graduation of some of them starting as low-income countries into the middle-income group. South Korea is a conspicuous example. The World Bank's present report could perhaps have gone into the dynamics of this upward movement in greater detail so that much-needed light could be shed on certain important requirements of growth in developing countries. Quite often the relative performance of these countries is sought to be explained with reference to differences in national characters or motivations or national political systems or economic institutions. While these differences are important, it needs to be recognized more widely than is the case that the global environment or economic context has in its way been more friendly to the fortunes of some developing countries than those of others.

International capital movements or trends in international trade relations are cases in point. It is inconceivable that the smaller countries of east or south-east Asia would have been able to reach their respective stages of development or affluence without the large investments of western capital in their economies or the rapidly growing export opportunities offered to them by the consumer-oriented societies of the US and western Europe. The seminal role played by western investment or commercial banking or by the great merchandising networks of the North American continent and western Europe in stimulating, organizing, developing and diversifying the economies of several developing countries, particularly in Latin America or on the Pacific sea-board, cannot be easily exaggerated.

This is an important enough point to be dwelt on at length. It is necessary, especially for the people and the government of our country, to become more and more

knowledgeable about how the middle-income countries came to be where they are or why the low income countries are where they find themselves to be. Even today the position is that the middle-income countries are benefiting more from the capital surpluses of the economic growth of industrialized countries than the low-income countries. This means that, apart from the richer nations getting richer at a rate faster than that at which the poorer nations are getting less poor, the gap between the rich and the poor is likely to increase even among the developing countries in the coming years unless the low-income countries are able to improve their share of global economic opportunities or benefits vis-a-vis the medium income countries.

private investment

The World Bank report points out that private direct investments in developing countries have been growing at an annual rate of about 6.5 per cent in real terms since 1963 and have accounted for a significant share of the total capital flows to many countries. They have mainly been directed to manufacturing industries in middle-income countries and to mineral development. Private direct investment, it is emphasized, has also been an important channel for the transfer of technology and introduction of more modern management techniques.

If the gap between the middle-income and low-income countries is to be reduced or prevented from growing, it is clearly necessary that the development policies pursued by the governments in the latter group of countries should be more purposefully and efficiently directed towards strengthening their financial and commercial relations with the major economies of the industrialized world. This is an issue on which international institutions such as the World Bank can speak only with caution and circumspection. But this need not prevent peoples and governments of low-income developing countries from realizing where their interests lie.

The report has done well in reiterating the basic truth that there can be no fleeing from the confines of absolute poverty except through the route of accelerating growth rates. While raising the productivity of the rural economy, which should necessarily form the basis of any such development strategy in those low-income countries, which are heavily dependant on agriculture, it could well be true that there can be no substitute for rigorous programmes of industrialization which could take optimum advantage of all possible financial and commercial relationships with the industrialized economies. It is in these terms that the low-income countries could help to push towards a more fruitful stage the meandering North-South dialogue on the restructuring of economic relations between the developing countries and the developed.

It is possible that the report would have been more emphatic on this point but for the political limitations under which such reports have to be written. Even so, there is enough in the present publication to remind the peoples and the governments of low-income countries of the duty they owe to themselves to secure optimal advantage from the promotion of their financial and commercial relations with the industrial economies. Where the primary utility of this report may lie is in its possible effectiveness in informing the developing countries what may be expected of them so that they may prepare themselves for constructive and adequate responses. Recent discussions between the visiting West German Economics minister and the ministers of the government of India are reported to have led to a broad agreement on measures, such as the flexible enforcement of the Foreign Exchange Regulation Act, for improving the investment climate in India, especially from the point of view of medium-sized foreign firms. This is the kind of development which could promote creative dialogues between the industrial economies and the low-income developing countries.

Aluminium : no light burden

THE CURRENT tight supply position of aluminium, despite imports of the order of 50,000 tonnes having been allowed owing to the shortfall in domestic production, may provide an excuse to the government for continuing with the present dual pricing system for this metal. But as the workshop on aluminium utilisation organised here a few days ago by the National Alliance of Young Entrepreneurs in cooperation with the Cable and Conductor Manufacturers Association of India, has stressed, there is a sound case for having expeditiously a second look not only at the pricing policy but also at the entire gamut of the problems of this industry.

Dual pricing policy tends to breed several malpractices in trade, specially in times of shortages, even though it may be justified on considerations of meeting the top priority requirements to a fuller extent than the non-priority ones in the interest of containing the costs in the priority sectors. Some concessional price for the supplies catering for these requirements may also be warranted ostensibly, as was done in 1975. According to the decision taken in that year, the requirements of the state electricity boards in respect of cables and conductors are being met at a lower price through the levy system compared to those of other consumers who are obliged to pay a higher price for the non-levy commercial grade metal.

The conditions in the recent past, however, have changed radically, especially after the upward revisions effected by several state electricity boards in power tariffs to the consumers and also owing to the imposition of excise duty on power generation. Further, if note is taken of the fact that high priority is being accorded now to the development of the transport system also, which besides the power industry, consumes large quantities of aluminium, the distinction between the priority and the non-priority uses of the metal is getting blurred. Apart from the transport and power sectors, sizeable quantities of aluminium are being used by such other equally essential consumers as the engineering, pharmaceutical and container industries. Owing to the high prices of copper, brass and stainless steel, the

weaker sections of society too have come to depend more and more on aluminium utensils.

If the present pricing policy is continued, the ambitious programme of power generation alone will require a larger reservation of the domestic production of aluminium, leading to further erosion in the profitability of the industry. According to some estimates, over 80 per cent of the aluminium consumption in the country currently is accounted for by the priority and essential sectors in the case of which the prices have to be contained to obviate any serious cascading effect on the prices of scores of other products in the manufacture of which aluminium is used to any significant extent. Aluminium is no longer a luxury metal the prices of which can be allowed to go up sharply even during periods of shortages. A rational single price of the metal, both for the producers and the consumers, therefore, is essential. It is hoped that it will be evolved soon in the light of the report of the Bureau of Industrial Costs and Prices which is understood to be under the consideration of the government.

under-utilised capacity

Besides the grant of a rational price, the most important problem that the aluminium industry is currently facing is the gross under-utilisation of capacity, particularly at the Renukoot plant of Hindustan Aluminium Corporation, owing to inadequate power supply. The case of Hindustan Aluminium is perhaps an unique one—of stubbornness of the state government to deny on one pretext or another the legitimate rights of an industrial unit under the terms and conditions settled for its operations. The state government is vociferously contending that no surplus power is available for feeding this project. At the same time, the minister for Power in the state government has suggested that this plant should be taken over by the government. It passes one's comprehension how he proposes to run the project if the state is deficient in power.

Even otherwise, although the aluminium industry presently does not consume more than about 2.2 per cent of the total power generated in the country, it has not been receiving adequate supplies. A pertinent instance of this is the frequent deferment of the commissioning of the third and the fourth potlines of Bharat Aluminium Company, a public sector concern, on the setting up of which substantial investment has been made.

Inadequacies of power during the last two years have had a telling effect on the output of aluminium in the country. Whereas the consumption has been growing steadily, the production during the last two years has registered a sharp setback, necessitating large imports. The output in 1977 declined to as much as 182,000 tonnes from the peak level of 211,000 tonnes in the previous year. It may remain around this level this year also, even though the installed capacity has grown since 1976 by about 30 per cent to 300,000 tonnes and the demand currently approximates 275,000 tonnes.

Much is made of the so-called comparatively low tariffs being charged from aluminium manufacturers for power supplies, although they were raised nearly four times about three years ago. It was then thought that this issue had been finally settled. Yet demands for stepping up these tariffs continue to recur. Apparently, it is not fully appreciated by the power supplying agencies that the aluminium industry has to play a crucial role not only in the country's economy but also in their own operations. They tend to ignore also the fact that the world over concessional power rates are applied to all power-intensive industries, particularly aluminium. This is because supplies to such industries ensure efficient utilisation of the power generation capacities. The transmission losses in their case are also negligible.

It is high time that the unseemly recurrent controversies about power supplies to the aluminium industry are ended expeditiously. If the industry is required to set up its own captive power generation facilities, it should be assisted in that regard by making available finances at reasonable terms. In the meanwhile, the recent improvement in the power situation, resulting from good rains, which have augmented hydel generation as well as reduced the irrigational needs of agriculturists, should enable larger supplies of electricity for aluminium manufacture. The decision on exempting power supplies to aluminium manufacturers from the excise duty on power generation too needs to be taken expeditiously. Perhaps it will be taken along with the decisions on the report of the Bureau of Industrial Costs and Prices. The excise structure relating to the metal as well as the sales tax levied by states at varying rates also need to be rationalised, as suggested by the abovementioned workshop.

Eastern Economist 30 Years Ago

AUGUST 27, 1948

If the proper study of mankind is man, the proper study of economics is the economics teacher. No one who know anything about the manner in which economics is taught in the country and about the insignificance of all kinds of economic research can be happy about either. There is something grievously wrong. And we believe that there is something grievously wrong with the foundations and not so much with the superstructure of which there is little enough in all conscience. Those who are responsible for shaping economic studies in this country have a very heavy responsibility; it is only too easy to hang them without even the benefit of the clergy—for a failure of which there can be no reasonable doubt. But before we can correctly assess the problem and provide a remedy, it is necessary to ask what facility our universities have had to act otherwise than they have done.

It is not only limitations of finance. These have been stifling enough. Almost everyone—and often the most enlightened who are so ready to worship at any scientific shrine—regard economic studies as a most treacherous occupation. Our best students usually go to the sciences and history and economics courses often get only the leavings; for competitive examinations—which have ruined our Universities in every academic sense—economics comes almost nowhere. And almost anything will do by way of teachers or of students. The wonder is not that the failures have been so great but that in the face of all these tremendous obstacles, economic studies in the country have made any progress at all.

A bank in every village

A SPECIAL review committee appointed by the Reserve Bank of India under the chairmanship of Prof. M. L. Dantwala has recommended that the regional rural banks (RRBs) should become an integral part of the rural credit structure of this country. These banks numbering 48 in all have been established under the Regional Rural Banks Act of 1976. They are spread over 16 states, the largest number being in Uttar Pradesh at 10 followed by Bihar at seven. Each one of them has the status of a scheduled commercial bank and has been authorised to mobilise deposits and to grant short and term loans directly only to the small and marginal farmers, agricultural labourers, rural artisans, small entrepreneurs and persons of small means.

Since the decision to set up these banks was taken during the emergency at the suggestion of a working group which finalised its report hurriedly within a month, the impression had gained ground that they had been set up with political motives and not on the basis of their usefulness or viability, and that the activities of these banks would overlap those of other agencies such as the commercial banks and the cooperatives.

duplication avoidable

The Dantwala Committee has come to the conclusion after examining the question from various angles that the RRBs "will not create new problems and add to the confusion," and that, in a climate of mutual understanding, it would be possible to avoid "duplication of functions, overlapping of activities and overfinancing." The committee is also convinced that the RRBs are needed "to makegood some of the inadequacies in the existing rural credit system".

The National Commission on Agriculture has estimated that the gross credit requirements of agriculture to be met from institutional sources by 1985 will be around Rs 16,480 crores. Even this figure is likely to prove an under-estimate because of the Janata government's bias in favour of rural development. The draft Plan for the period 1978-79—1983-84 has earmarked more than 40 per cent of the total outlay for agriculture and rural development which is expected to raise substantially the needs of credit for the rural areas. The RRBs will therefore serve a vital function in supplementing the efforts of the cooperatives and the commercial banks.

basic structure

It follows that the Primary Agricultural Credit Soeieties (PACS) and the Farmers' Service Societies (FSS) will continue to constitute the base of the rural credit structure. In 1975-76, there were 134,838 PACS with a membership of 39.5 million and serving 525,743 villages. There is no doubt that in some areas, the PACS are extremely weak but an attempt needs to be made to strengthen them instead of allowing them to die out, according to the committee. The net-work of PACS covers 90 per cent of the rural areas of the country and constitutes the credit structure at the base level. The committee is not in favour of replacing the PACS by the FSS as recommended by the National Commission on Agriculture or converting the PACS into rural banks as suggested by the Banking Commission. It has emphasised the importance of strengthening the existing institutions rather than replacing them by brand new institutions.

Since the RRBs are sponsored by the commercial banks which also have rural branches of their own, the new relationship between them needs to be defined. The committee has expressed the view that commercial banks should service the rural areas through the RRBs and not through their own rural branches. It is for the banks to take a decision in this regard as it will affect the future growth of the rural branches of commercial banks. At the end of June 1977, commercial banks had 9536 rural branches including 780 RRB branches. Progressively, the work of the rural branches of commercial banks will need to be passed on to the RRB branches if the recommendations of the committee are accepted by the government.

Surely, there are strong reasons in support of this move. First, the RRBs being new institutions can evolve their own salary structure keeping in view the incomes in the areas to be served. The commercial banks' present salary scales are hardly suitable for rural areas because they show up certain grave anomalies. The peon of a commercial bank today, for instance, draws a salary which is far above that of a village school teacher. Second, the managerial and clerical staff of commercial banks is unwilling to move to rural areas. Consequently, the members of the staff who can pull wires, are never sent to village branches while those without godfathers are perpetually condemned to rural branches. Third, the staff recruited for the urban branches finds it difficult to adjust to rural environment. In fact, the RRBs came into being for the express purpose of creating a new organisation to serve the rural areas with a new team of persons fired by a missionary zeal. The working group which recommended the establishment of RRBs rightly emphasised the importance of comparative simplicity, reduced cost of operation, local involvement in staffing

You see, he is unfit to hold a cabinet post. He will only appoint cabinet ministers.

pattern and participation in equity capital in the rural branches of these banks if they are to achieve the desired results. Understandably, the transfer of branches from commercial banks to RRBs will have to be arranged in a phased manner so that no dislocation in their working takes place. The review committee has arrived at the conclusion that within two years the RRBs have "demonstrated their capability to serve the purpose for which they were established".

The committee has endorsed the recommendation of the working group that the authorised and paid-up share capital of each RRB should be one crore of rupees and Rs 25 lakhs respectively, though it has suggested an increased participation by the local population, from 15 per cent (as proposed by the working group) to 20 per cent. It has not given much credence to the viewpoint that increased local participation would expose the RRB to local vested interests which might hinder the pursuit of the objective of assisting the weaker sections of the community. It has taken the view that higher local participation alone can make the rural bank a success. The experience of the past two years supports this thesis though the danger of the local vested intersts proving a hindrance cannot be entirely ignored.

differential rate scheme

On the interest rate policy of the RRBs the committee has not made any recommendation. Under the differential rate of interest scheme, certain categories of persons receive loans at four per cent per annum while the PACS charge as much as 13 per cent per annum. Since the purpose of establishing the RRBs is to save the backward classes in rural areas from the clutches of the money-lenders, timely availability of credit has greater importance than the rate of interest charged. Since the cooperative structure is not proposed to be dismantled in areas where the branches of RRBs are established, the interest rate policy of the banks will need to be in harmony with that of the PACS.

The emphasis has to be laid on the selection of the type of persons to man the branches of the RRBs. And what is more, they are to be trained to take a sympathetic view of the problems of the poorer sections in our villages. However, if they also get influenced by the high-handedness currently prevalent among the "high emoluments bank staff of commercial banks", then the whole experiment of establishing the RRBs will be doomed.

West Bengal : outlook for investment

THE CENTRAL government's policy towards the industrial development of West Bengal recently came in for sharp criticism from Mr Kanailal Bhattacharyya, the state minister for Industry, and Mr S.K. Birla, president of the Indian Chamber of Commerce, Calcutta. Both of them pointed out that because of New Delhi's indifference and distrust of West Bengal, the state's industrial progress had been severely retarded. Mr Bhattacharyya said that the central government had been lukewarm in promoting public sector projects in West Bengal while Mr Birla blamed the "step-motherly" attitude of the centre and its "discriminatory" industrial policy for the state's stagnation. It may be recalled that Mr Siddhartha Shanker Ray, when he was the chief minister of West Bengal, also strongly and frequently criticised the government of India for not adopting a positive policy for accelerating the state's industrial growth.

The Janata government, and the economic ministries in particular, should dispassionately examine West Bengal's complaint and suitably modify policies and procedures so as to facilitate its industrial revival and expansion. If, even under the existing constitution, states like Maharashtra, Tamil Nadu and Punjab can achieve impressive progress in developing and diversifying their industrial structure, there is no reason why West Bengal also cannot hope to realise a faster rate of growth in the coming months. West Bengal's demand for radical reforms of the constitution in order to transfer more powers and resources to the states seems to have caused some uneasiness in New Delhi. It is all the more important therefore that the latter should consider with sympathy and speed the genuine grievances of West Bengal whether they emanate from the state government or from organisations of industry and trade.

Mr Birla said at a press conference that applications from West Bengal for industrial licences were kept pending for years and that about 70 per cent of them were yet to be cleared. It is pertinent to ask whether the department of Industries of the government of West Bengal has equipped itself with all the relevant data in this regard. If the department had been alert and energetic in pursuing these applications with New Delhi, it is unlikely that the arrears would have accumulated to this extent. Mr Birla disclosed that a Calcutta firm had applied for a licence in May 1977 to set up a joint sector plant in Haldia for manufacturing synthetic fibres but the central Industry ministry had not yet given its clearance though the Petroleum ministry had sanctioned it. The Industry ministry should explain whether the delay in disposing of the applications from West Bengal is due to the fact that most of them are from the so-called monopoly houses or because capacity for the items to be manufactured already exists in other parts of the country or it is due to some special and specific reasons. The ministry should enlighten West Bengal about the real causes so as to allay all apprehensions in the states about New Delhi's discriminatory attitude.

Mr Birla said that the central government siphoned off the profits of the states' traditional industries such as coal, jute and tea by imposing all kinds of taxes. He referred to the export duty on tea and observed that just when the industry had begun to earn profits, the centre crippled it with taxes. He expressed the fear that 50 per cent of the tea companies would suffer "serious loss" if the export duty

was not withdrawn. But why blame only the centre's taxation policy? Has not the tax policy of the government of West Bengal also been equally harmful to the growth of the tea industry? The state government has enhanced steeply the rates of agricultural income tax and has declined to heed the industry's plea to reduce it. Nor has it urged the centre to reconsider the continuation of the export duty in view of the falling trend in the prices of tea at home and in the foreign markets.

Mr Birla remarked that "capital has by-passed Calcutta". He observed that power crisis, lack of initiative among officials and lack of entrepreneurship among the local people, the law and order problem, confusion over incentive schemes and concentration of large industrial houses might be responsible for the state's slow growth rate. He expressed surprise at the fact that when chief ministers of other states were coming to Calcutta to woo industrialists, the chief minister of West Bengal had not visited other states to attract them. But even if Mr Jyoti Basu or his cabinet colleagues visit other states will they get any response? When even the existing industries are unable to get adequate power and are put to serious financial loss on account of daily heavy load shedding, how can we expect entrepreneurs from other states to become enthusiastic in investing in West Bengal?

Mr Kanailal Bhattacharyya has appealed to the multinational corporations and the large houses to step up their investment in West Bengal so that this will help to create more employment and stimulate the growth of small industries. But he seems to forget that the state government's industrial policy is not conducive to achieve these objectives. The Left Front government's industrial policy statement has said as follows: "The reversal of the tendency towards industrial stagnation and the active expansion of industrial employment require that the state government should not think in terms of a mere revival of old industries substantially under old forms of management and control. If the stress in policy is exclusively on revival, the monopoly houses and the multinational companies will be helped in further increasing their grip over the economy of this state. This would be wholly against the principles upheld by the Left Front, which is pressing the centre to curb the activities to the monopoly industrial houses and the multinational corporations. The Front would like this policy to be accepted as much at the national level as in the case of individual states".

West Bengal government's industrial policy statement admitted that the multinational corporations and the big houses were responsible for "a significant proportion of the total output of the organised industrial sector in the state" but it pointed out that they had been either diverting their profits elsewhere or utilising these for speculation "with deleterious consequences of the state's economy". Thus, when the state government itself is not adopting a realistic policy in its approach to the large houses and multinational corporations is it surprising if New Delhi is not prompt in disposing of applications for industrial licences from West Bengal? In any case, even if all the licences are speedily sanctioned, how many of them are likely to be implemented expeditiously, with the virtual chaos in the power situation and the increasing militancy among trade unions? Mr Birla told reporters that recently workers in a factory put a noose on the neck of the manager and threatened to strangle him unless he signed an agreement on their terms but the police took no action. Mr Birla declined to oblige reporters (with a nose for noose) who persisted in knowing the name of the factory where this incident took place. But news of this kind is surely bound to have its adverse impact on the climate for investment.

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WITH A view to facilitating transfer of industrial units from the congested areas, particularly in and around the metropolitan cities, the government of India has recently decided that if an enterprise wishes to shift its entire manufacturing activity from a forward to a backward area within the same state, there will be no need to obtain prior permission from it for such a change of location, provided, of course, permission from the state government is obtained in advance.

Under the new industrial policy, it has already been decided that no more licences will be issued for setting up new industrial units within certain limits of the metropolitan cities having population of more than one million and urban areas with a population of more than 500,000 persons as per the 1971 census. The state governments and the financial institutions have been asked to deny support in these areas to those industries which do not require an industrial licence but in whose case the investment is large. The government also is to consider provision of assistance to large existing industries which would like to shift from the congested metropolitan cities to the approved locations in backward areas.

Some more details are available about the implementation of the scheme to set up district industries centres (DICs) to provide all services and support required by small and village entrepreneurs under one roof. Already 212 such centres have been sactioned for being established in the 25 states of the Indian Union.

A non-recurring expenditure to the extent of Rs 9.88 crores and a recurring expense to the tune of Rs 7.05 crores had been sanctioned on them till the end of July. For setting up these projects the central assistance is being provided at the rate of Rs 500,000 for non-recurring expenditure and 75 per cent for the recurring expenditure limited to Rs 3.75 lakhs per DIC. The senior posts in these DICs are being filled up. Out of the 212 posts of general managers sanctioned, 154 had been filled up by July-end. As many as 1,301 functional managers will be manning the above 212 DICs. Of these, 549 have been recruited. Each DIC is to be headed by a general manager and is to have four to seven functional managers in different disciplines such as economic investigation; credit; research, extension and training; raw materials; marketing; machinery and equipment; and cottage industries. The state-wise expenditure sanctioned up to July 31 is given in the table alongside.

integrated functioning

The DICs are envisaged to establish close linkages with the development blocks on the one hand and the specialised institutions concerned with the development of small-scale and cottage industries, on the other. Institutions such as the Khadi and Village Industries Commission and Directorates of Handloom and Handicrafts, which are involved in grass root activities, will be required to integrate their functions with the DIC set-up. The existing schemes like capital subsidy, transport subsidy, etc., will be implemented through the DICs. The small-scale units to be set up with the assistance of the DICs will be provided seed money by the central government. Banks and other financial institutions are also to meet investment requirements of the small and village industries sectors.

To provide a suitable arrangement for effective coordination between the DICs and the various state government departments and other undertakings, the constitution of district advisory committees has been proposed. These committees will be headed by the district collectors and consist of the district level officers of other departments, representative of the semi-government and local bodies, non-official members representing associations of industry and trade, and members of parliament and state legislatures. State level coordination committees, with the chief minister or the minister of Industries as chairman, will be supervising and monitoring the functioning of the DICs. Six regional committees have been set up to provide for overall coordination in a region and for exchange of information between the state and regional committees and the all-India body. There is to be a

District Industries Centres Sanctioned

(Rs lakhs)

State	No. approved	Expenditure sanctioned		
		Non-recurring	Recurring	Total
Andhra Pradesh	11	55	41.25	96.25
Assam	5	25	18.75	43.75
Bihar	18	90	67.50	157.50
Gujarat	10	50	37.50	87.50
Haryana	11	55	41.25	96.25
Himachal Pradesh	12	30.20	26.87	57.07
J & K	10	50	22.80	72.80
Karnataka	7	23.87	14.14	38.01
Kerala	11	55	41.25	96.25
Madhya Pradesh	22	110	75.00	185.00
Maharashtra	15	54	56 25	110.25
Manipur	6	22.50	16.90	39.40
Meghalaya	1	7	2.44	9.44
Nagaland	4	20	10.52	30.52
Orissa	13	65	48.75	113.75
Rajasthan	9	45	33.75	78.75
Sikkim	1	5	2.25	7.25
Tamil Nadu	8	40	26.18	66.18
Uttar Pradesh	13	65	48.75	113.75
W. Bengal	15	75	48.00	123.00
A & Nicobar	1	2.15	3.86	6.01
Arunachal	5	25	8.93	33.93
Dadra & N.H.	1	5	1.83	6.83
Mizoram	2	10	7.50	17.50
Pondicherry	1	3	2.50	5.40

central coordination committee with the central minister of Industry as the chairman. This committee will review from time to time the broad policy and framework of the DIC set-up in the light of the experience gained. The developmenet Commissioner, SSI, will be regularly monitoring the progress of the DICs.

* *

Eighteen mini cement plants are understood to have already been sanctioned for establishment either through registration with the Directorate-General of Technical Development or issue of letters of intents. Applications for setting up another 41 such units are said to be receiving the consideration of the government. The former units are envisaged to add 5,08,500 tonnes capacity and the latter 4,35,120 tonnes capacity.

Expected to take two to three years for commissioning after the grant of industrial licence, depending upon the size of plant and the extent of the infrastructural facilities locally available, these units thus can be expected to augment production of cement ultimately by about a million tonnes. Two working groups have recently reported on the fiscal incentives and the choice of technology to be adopted for the establishment of these plants. The government is expected to finalise its decisions on their recommendations in the near future in view of the fact that there is sizeable shortage of cement in the country at present, necessitating imports. The setting up of the mini cement plants is expected to yield wholesome results in various parts of the country, for they will be essentially catering for the requirements of the nearby areas.

Of the 18 units which have already been registered with the DGTD or for the setting up of which letters of intent have been granted, five are to be put up in Gujarat at Bhuj (30,000 tonnes capacity), Verval (20,000 tonnes), Sriamir (45,000 tonnes) and one each in the districts of Vanas (33,000 tonnes) and Junagarh (45,000 tonnes). The Sriamir and the Junagarh units are envisaged to produce white cement. Two plants are to be put up in Karnataka, each having a capacity to produce 9,000 tonnes of cement per annum, at Lokapur and Mallapura. Another two are proposed to be established in Andhra Pradesh at Hazurnagar (Nalgund district) and Eallerpet. The former will have a capacity to yield 33,000 tonnes of grey cement and the latter 45,000 tonnes of white cement. Six units are to be established in Rajasthan—one each in the districts of Udaipur, Pali, Jodhpur, Jaipur, Sirohi and Sikar. The Udaipur unit is to have a capacity to produce 20,000 tonnes of cement and each of the other five units 33,000 tonnes. The states of Maharashtra, Uttar Pradesh and Himachal Pradesh will be having one unit each at Chandpur (9,000 tonnes), Dehra Dun (36,500 tonnes) and Dharampur (9,000 tonnes), respectively.

proposal under view

The 21 proposals still under the consideration of the government include the following schemes:

(i) Four units in Andhra Pradesh to be established at Kodanangal—Mehbub Nagar (15,000 tonnes), Kurnool (9,000 tonnes), Jaggayyapet (9,000 tonnes) and Tandur (9,000 tonnes).

(ii) Four units in Karnataka to be set up at Mallapura (9,000 tonnes), Ammasandra-Tumkur (60 tonnes), Nagupur (9,000 tonnes) and Mattapully (33,000 tonnes).

(iii) Five units in Rajasthan to be located at Bhivadi (9,000 tonnes), Abu Road Station (9,000 tonnes), Kivorly (50,000 tonnes), Bilara-Jodhpur (33,000 tonnes) and Nimbahera (50,000 tonnes).

(iv) Three units in Uttar Pradesh to be set up at Sahibapur (9,000 tonnes) and Kalsi-Dehra Dun two units (33,000 tonnes and 60 tonnes).

(v) Two units in Madhya Pradesh at Kymor (50,000 tonnes) and in Dhar Tehsil (30,000 tonnes).

(vi) Three units in the states of Haryana, Orissa and Gujarat with capacities to the extent of 9,000 tonnes, 33,000 tonnes and 30,000 tonnes, respectively. The Haryana unit is to be located at Narnaul and the Gujarat unit in the Ranavav tehsil. The location for the Orissa plant is yet to be indicated by the party concerned.

* *

The Finance minister, Mr H.M. Patel, disclosed last week at a meeting of the Consultative Committee of parliament attached to his ministry that the government had accepted the report of the Dantwala Committee in regard to credit for the rural sector. It was, therefore, proposed to open some regional rural banks in the near future.

new orientation

Mr Patel recalled that a new orientation had already been given to the credit and banking policies so that the genuine requirements of the agricultural, small industries and other priority sectors could be fully met. Directions had been issued to the public sector banks to ensure that every community development block in the country should have at least one branch of a bank by the end of the current year. At the time of coming into power of the Janata party government, there were 700 unbanked community development blocks. This number, he said, had gone down to just 64 at the end of June this year. Of the 3348 branches opened by public sector banks in 1977, 67.7 per cent (2,261) had been opened in the rural and semi-urban areas. The Reserve Bank of India, Mr Patel further stated, had formulated a new banch licensing policy under which it was aimed that more emphasis should be put on increasing bank branches in the districts where their number was less than the national average.

The differential interest rates scheme, Mr Patel said, had been streamlined. It had been decided that two-thirds of the advances under this scheme should be provided in the rural and semi-urban areas and 50 per cent of them should be made available to the persons belonging to the scheduled tribes.

Greater coordination, said Mr Patel, was also effected between commercial banks and the cooperative credit structure so that the credit requirements of the rural areas could be met in a fuller measure. The cooperative sector, of course, had to remain the main source of supply of credit in the rural sector, Mr Patel added.

Referring to the price situation in the country, Mr Patel stressed that India had the enviable record of maintaining price stability last year. The wholesale prices index at 186 as on August 5 was one per cent lower than it was around this time last year.

Contribution of agriculture in national development

Dr K. Sain & D. Dhar

The authors have come to the assessment that the share of agriculture in net domestic product at factor cost has declined from 49.3 per cent in 1960-61 to 38.0 per cent in 1974-75. This they say is a welcome trend as it tends to improve the unbalanced character of the country's economy.

THE OBJECTIVE of this article is to assess the relative contribution of agriculture including allied industries to the growth of net domestic product at factor cost and thereby to the growth of national welfare and development of our country vis-a-vis the other sectors of the economy. The data published in the National Accounts Statistics: 1960-61—1974-75[1] are utilised to determine inter-sectoral rates of growth —linear, compound and modified exponential growth rates—as well as that of the economy as a whole. Controversy regarding worthwhileness of exclusion of any particular year on the ground of its low probability of occurrence has been avoided since the accent in this article is mainly on the relative contribution of different sectors of the economy.[2] The different trend values are presented through curves to indicate the nature of growth of the different components of national income over time more clearly. A section is devoted to discussion on agriculture's relative contribution to gross domestic capital formation. How income generated in the farm sector is distributed among the people is also discussed to have a glimpse of the impact of higher income from farming on aggregate welfare.

sectoral output

Indices of output of different sectors of the economy as computed from the National Accounts Statistics 1960-61—1974-75 are given in Table I.

It appears from Table I that both linear and exponential trends of growth including modified exponential growth of agriculture are smooth all through the period 1960-61—1974-75. The same is true for the growth of primary industries as a whole including foresty, fishery, mining and quarrying. Secondary industries as a whole including manufacturing, construction, electricity, gas and water supply, reflect a smooth but a more prominent trend than the primary industries. Trends of growth are also observed to be smooth and upward for other sectors of the economy as well as for the total net domestic product of the economy.

Table II shows that the highest linear as well as compound rates of growth of output are recorded by community and personnel services sector or the tertiary sector of the economy while the corresponding lowest rates of growth are recorded by agriculture, the highest compound and linear rates being 7.81 and 5.35 per cent and the lowest compound and linear rates being 1.79 and 1.41 per cent per annum during the period 1960-61—1974-75. For the primary sector as a whole the linear and compound rates of growth are 1.96 and 1.80 per cent respectively while the corresponding rates of growth are 3.78 and 3.44 per cent respectively for the secondary sector as a whole. Forestry, fishing, mining and quarrying show better performance over the period under consideration within the primary sector. Finance and real estate record as high as 4.18 and 3.42 per cent linear and compound rates of growth respectively over the years under study. The total net domestic product of the economy grows at the rates of 3.99 per cent (linear) and 3.20 per cent (compound) per annum during 1960-61—1974-75. The standard errors of both linear and compound rates of growth being much below five per cent in majority of the cases and the estimated, growth rates being statistically significant at one per cent or five per cent level of probability, estimates of growth rates, linear as well as compound, may be taken to be fairly reliable.

POINT OF VIEW

Gompertz trend

The modified exponential growth rates as reflected through Gompertz trend equations show increasing trend values for the different sectors of the economy as well as for the economy as a whole. The trend is, however, less prominent for agriculture than for the other sectors of the economy as well as for the economy as a whole. Unlike linear and compound rates of growth Gompertz does not give constant rates of growth all through but accommodates constant, increasing and decreasing rates of growth. The Gompertz fit suggests that rates of growth are the lowest for agriculture and the primary sectors as a whole, for example, for the three years 1960-61, 1967-68, and 1974-75, the corresponding rates being 0.04, 0.01 and 0.18 per cent for agriculture and 0.02,0.02 and 0.08 per cent for the primary sector as a whole. The performance of the secondary sector is much better, its rates of growth being 5.36 per cent in 1960-61, 4.23 per cent in 1967-68 and 2.98 per cent in 1974-75. The performance of the economy as a whole as reflected through growth rates of net domestic product at factor cost, although not as good as that of the secondary sector, is still much better than that of agriculture and the primary sector as a whole, its rate of growth being 1.21 per cent in 1960-61, 1.89 per cent

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TABLE I

Indices on Relative Contribution of Different Sectors of the Indian Economy in Net Domestic Product at Factor Cost During 1960-61 to 1974-75 Along with Corresponding Trend Values

Industry	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68
1	2	3	4	5	6	7	8	9
Agriculture	100.00	100.69	97.96	100.47	109.78	93.43	91.94	106.85
*(1) $107.94+1.7878^t$	95.43	97.21	99.00	100.70	102.57	104.36	106.15	107.93
*(2) $2.0306+0.0072^t$	95.55	97.15	98.77	100.40	104.48	103.80	105.55	107.30
*(3) $2.0054-(0.0000708) \times (1.6565)^t$	101.04	101.08	101.12	101.16	101.24	101.26	101.27	101.28
Forestry	100.00	105.74	107.47	117.81	116.09	137.93	147.12	142.52
*(1) $137.27+4.8292^t$	103.46	108.29	113.12	117.95	122.78	127.61	132.44	137.27
*(2) $2.1310+0.0160^t$	104.56	108.38	112.48	116.70	121.10	125.62	130.32	135.20
*(3) $2.2649-(0.3387) \times (0.87198)^t$	24.06	31.21	39.17	47.75	56.75	65.97	75.23	84.37
Fishing	100.00	102.59	97.40	106.49	116.88	118.18	122.07	127.27
*(1) $128.80+4.8967^t$	94.53	99.42	104.32	109.22	114.11	119.01	123.91	128.80
*(2) $2.1012+0.0169^t$	96.14	99.66	103.92	108.08	112.35	116.78	121.45	123.38
*(3) $2.1582+(0.1002) \times (1.0023)^t$	136.08	141.71	147.50	153.57	159.85	166.38	173.14	180.22
Mining & Quarrying	100.00	106.71	120.14	121.64	123.88	140.29	144.77	150.00
*(1) $142.68+5\ 18^t$	106.42	111.60	116.78	121.96	127.14	132.32	137.50	142.68
*(2) $2.1830+0.0258^t$	100.50	106.72	113.28	120.18	127.52	135.36	143.58	152.42
*(3) $2.2699-(0.3215) \times (0.8657)^t$	24.41	32.07	40.61	49.83	59.48	69.32	79.15	88.79
Primary	100.00	100.96	98.62	101.37	110.29	95.72	94.76	108.80
*(1) $109.58+1.96^t$	95.86	97.82	99.78	101.74	103.70	105.66	107.62	109.58
*(2) $2.0379+0.0076^t$	96.56	98.25	99.98	101.80	103.56	105.40	107.22	109.08
*(3) $2.0085-(0.0003835) \times (0.9992)^t$	101.89	101.91	101.93	101.96	101.98	102.00	102.03	102.05
Secondary	100.00	107.65	114.94	126.44	136.01	139.38	140.76	145.49
*(1) $147.61+3.78^t$	121.15	124.93	128.71	132.49	136.27	140.05	143.83	147.61
*(2) $2.1609+0.0187^t$	107.23	114.48	116.80	121.92	127.30	132.92	138.78	144.85
*(3) $2.1488-(0.1302) \times (0.93648)^t$	174.86	180.22	185.35	190.33	195.07	199.66	204.03	208.26
Transport	100.00	106.89	113.15	121.49	129.09	132.03	135.45	140.85
*(1) $142.62+5.73^t$	102.51	108.24	113.97	119.70	125.43	131.61	136.89	142.62
*(2) $2.1466+0.0178^t$	105.28	109.60	114.20	119.02	123.98	129.18	134.52	140.18
*(3 $2.5770-(0.0474) \times (0.9594)^t$	326.29	328.25	330.07	331.90	333.66	335.35	336.90	338.53
Community & Public Services	100.00	104.78	113.00	120.94	129.59	134.31	140.81	145.88
*(1) $150.64+7.81^t$	95.97	103.78	111.59	119.40	127.21	135.02	142.83	150.64
*(2) $2.1647+0.0226^t$	101.50	106.98	115.62	118.68	125.00	131.70	138.72	146.12
*(3) $1.7183+(0.1253) \times (1.0023)^t$	43.17	45.92	48.79	51.84	55.05	58.45	62.03	65.81
Finance & Real Estate	100.00	105.79	109.96	114 85	118.11	120.65	123.18	125.00
*(1) $129.64+4.18^t$	100.35	104.53	108.71	112.89	117.07	121.25	125.43	129.61
*(2) $2.1069+0.0143^t$	101.60	105.00	108.50	112.16	115.90	119.78	124.78	128.98
*(3) $2.0078+(0.0895) \times (1.3232)^t$	88.10	89.66	91.21	93.08	94.97	96.98	99.12	101.44
Total Net Domestic Product	100.00	103.51	105.75	111.60	120.19	114.24	115.22	124.81
*(1) $126.61+4.99^t$	98.68	102.67	106.66	110.65	114.64	118.63	122.62	126.61
*(2) $2.0982+0.0137^t$	100.55	103.78	107.10	110.52	114.08	117.72	121.50	125.40
*(3) $2.8549+(0.1499) \times (1.0583)^t$	90.30	91.51	92.85	94.25	95.78	97.43	99.11	101.11

—Contd.

*(1) $Y = a+bt$ *(2) $Y = AB^t$ is equivalent to $\text{Log } Y = \text{Log } A+(\text{Log } B)^t$ *(3) $\text{Log } Y = \text{Log } K+(\text{Log } a)b^t$

Industry	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75
	10	11	12	13	14	15	16
Agriculture	107.44	114.39	124.08	121.17	111.83	122.21	117.00
*(1) $107.94+1.7878^t$	109.72	111.51	113.30	115.09	116.87	118.66	120.45
*(2) $2.0306+0.0072^t$	109.10	110.92	113.85	114.70	116.62	118.56	120.50
*(3) $2.0054-(0.0000708) \times (1.6565)^t$	101.29	101.30	131.32	101.38	101.42	101.60	101.78
Forestry	138.50	140.22	155.74	162.06	163.21	156.89	167.81
*(1) $137.27+4.8292^t$	142.09	146.92	151.75	156.58	161.41	166.24	171.07
*(2) $2.1310+0.0160^t$	140.30	145.60	151.02	156.72	162.58	168.70	175.02
*(3) $2.2649-(0.3387) \times (0.87198)^t$	92.03	101.70	109.73	117.22	124.20	130.62	136.46
Fishing	133.76	137.66	141.55	149.35	155.84	163.36	159.74
*(1) $128.80+4.8967^t$	133.70	138.60	143.49	148.39	153 29	158.18	163.08
*(2) $2.1012+0.0169^t$	131.32	136.48	138.68	147.56	152.38	159.47	165.78
*(3) $2.1582+(0.1002) \times (1.0023)^t$	184.12	195.12	203.00	211.21	219.74	288.56	237.68
Mining & Quarrying	147.76	154.47	154.47	158.95	165.67	168.65	182.83
*(1) $142.68+5.18^t$	147.86	153.04	158.22	163.30	168.58	173.76	178.94
*(2) $2.1830+0.0258^t$	161.78	171.62	182.18	193.30	205.10	217.70	231.00
*(3) $2.2699-(0.3215) \times (0.8657)^t$	98.06	106.88	115.16	122.83	129.87	136.30	142.14
Primary	109.28	116.06	125.65	123.23	114.64	124.43	120.01
*(1) $109.58+1.96^t$	111.54	113.50	115.46	117.42	119.38	121.34	123.30
*(2) $2.0379+0.0076^t$	111.08	113.02	115.02	117.02	119.12	121.20	123.35
*(3) $2.0085-(0.0003835) \times (0.9992)^t$	102.10	102.17	102.26	102.40	102.62	102.92	103.40
Secondary	152.02	165.04	169.43	170.92	177.48	182.46	186.26
*(1) $147.61+3.78^t$	151.39	155.71	158.95	162.73	166.51	170.29	174.07
*(2) $2.1609+0.0187^t$	151.22	157.92	164.83	172.10	179.72	187.60	195.82
*(3) $2.1488-(0.1302) \times (0.93648)^t$	212.23	216.07	219.68	223.15	226.17	229.56	232.54
Transport	147.91	155.82	162.99	168.82	170.96	175.24	179.35
*(1) $142.62+5.73^t$	148.35	154.08	159.81	165.54	171.27	177.00	182.73
*(2) $2.1466+0.0178^t$	146.02	152.12	158.50	165.12	172.02	179.22	186.72
*(3) $2\,5770-(0.0474) \times (0.9524)^t$	340.02	341.43	342.85	344.19	345.46	346.74	347.94
Community & Public Services	152.60	160.68	169.90	182.70	190.77	201.71	212.00
*(1) $150.64+7.81^t$	158.45	166.26	174.07	181.88	189.69	197.50	205.31
*(2) $2.1647+0.0226^t$	153.92	162.18	170.82	179.98	189.52	199.92	210.42
*(3) $1.7183+(0.1253) \times (1.0023)^t$	69.80	74.01	78.45	83.13	88.04	93.26	98.65
Finance & Real Estate	131.15	135.68	142.39	150.90	155.79	156.52	154.71
*(1) $129.64+4\ 18^t$	133.79	137.97	142.15	146.33	150.51	154.69	158.87
*(2) $2.1069+0.0143^t$	133.27	137.72	142.32	147.10	152 02	157.12	162.40
*(3) $2.0078+(0.0885) \times (1.3232)^t$	103.87	106.49	109.29	112.28	115.51	117.90	122.72
Total Net Domestic Product	128.32	136.49	144.59	146.12	144.24	150.08	152.08
*(1) $126.61+3.99^t$	130.60	134.59	138.58	142.57	146.56	150.55	154.54
*(2) $2.0982+0.0137^t$	129.40	133.56	137.82	142.20	146.52	151.50	156.38
*(3) $2.8549+(0.1499) \times (1.0583)^t$	103.60	105.37	107.77	110.38	113.19	115.85	119.59

in 1967-68 and 3.74 per cent in 1974-75 respectively.

The Gompertz trend equations reveal that "log a" is positive and "b" is greater than one in case of agriculture, fishing, community and personnel services, finance and real estate and for the total net domestic product indicating that the trend of growth is increasing and the rate of growth is rising in all these cases. In other words, Gompertz curve is increasing at an increasing rate of growth. "Log a" is negative and "b" is less than one for the rest of the sectors under study, indicating that the trend is increasing but the rate of growth is declining. In other words, the Gompertz curve is increasing with a decreasing rate of growth.

goodness of fit

In view of the fact that "D" values are much higher for the Gompertz for all the sectors of the economy under study as well as for the economy as a whole than those for the exponential fit, it becomes difficult to accept the readings from the Gompertz fits. However, the Gompertz fits were attempted along with the others to compare the goodness of fit in these cases and also due to difficulties associated with tests of significance on account of lack of prior plausibility regarding any acceptable hypothesis to serve as null hypothesis.

Figure 1 represents different trends relating to growth of agricultural output along with the corresponding values for the years under investigation. Figures 2, 3 and 4 represent the corresponding values for the primary sector as a whole, secondary sector as a whole and for the economy as a whole (total net domestic product) respectively.

It appears from the estimates of growth rates, both linear and compound, as well as from their representation through curves that relative growth of agriculture and primary sector as a whole and their contributions to the total net domestic product and national welfare are much less than those of the other sectors of the economy. Figures of production for the different sectors, for the later years, i.e., for the period beyond 1974-75 as published in Agriculture Situation, Reserve Bank Bulletin and Economic Survey of the government of India, do not indicate any appreciable change in the relative contribution of different sectors to the growth of national product and national welfare of the country. The all-India index numbers of agricultural production (triennium ending 1961-62=100) are 133.3, 128.6 and 148.6 respectively for the years 1973-74, 1974-75 and 1975-76.[3] Percentage shares of agriculture in net domestic product at factor cost at 1960-61 prices were 43.0, 41.4 and 42.9 respectively in 1973-74, 1974-75 and 1975-76[4]. The general index numbers of industrial production (1970=100) are 114.3, 115.3 and 131.2 respectively for the years 1974, 1975 and 1976.[5]

The contribution of agriculture and other primary sector industries still remains at no less than 41.2 per cent of the

FIG. 1

GROWTH OF AGRICULTURE

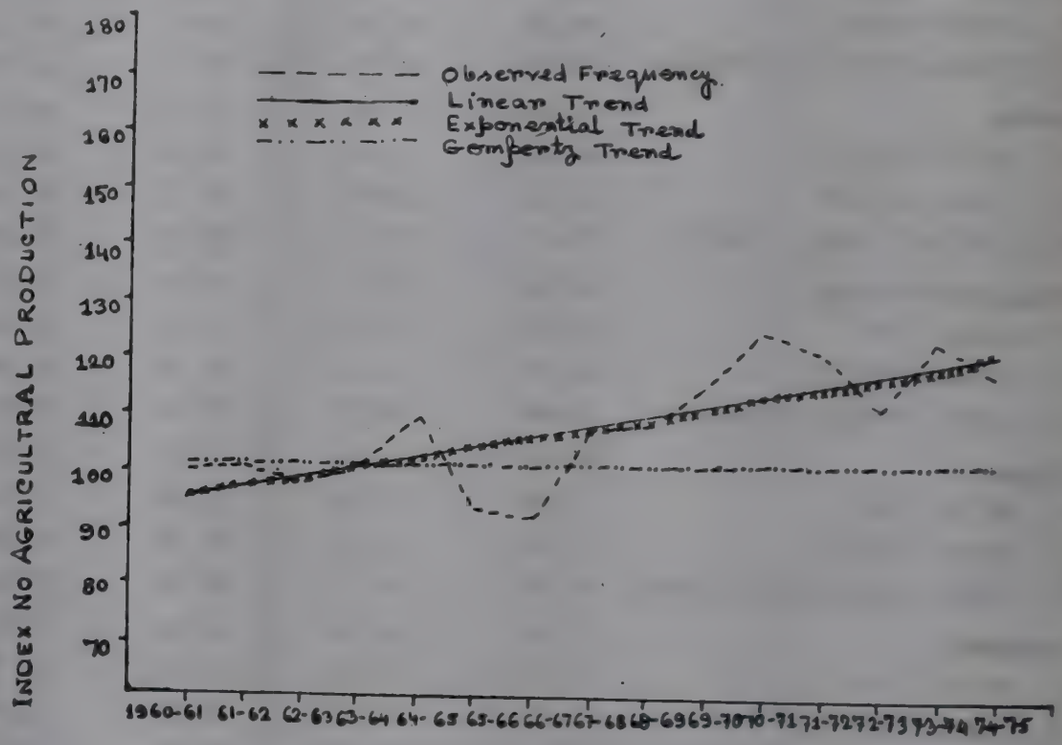


FIG. 2

GROWTH OF PRIMARY SECTOR INDUSTRIES

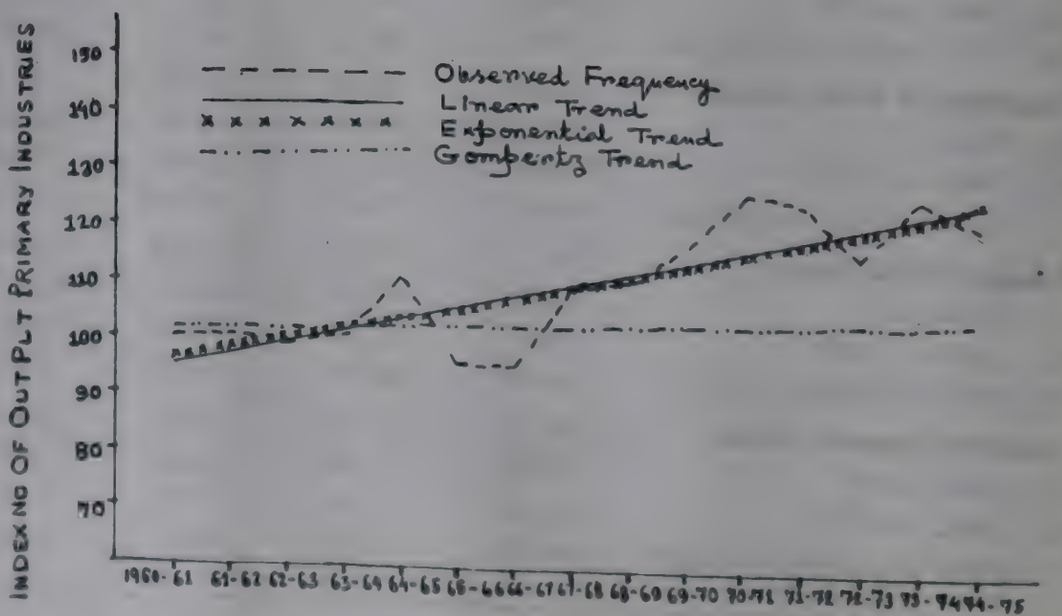


TABLE II

Annual Percentage Growth Rates for Industries, 1960-61—1974-75 along with Standard Error and "D" Values

Industry	Linear		Compound		
	Growth rate	Standard error	Growth rate	Standard error	D*
1	2	3	4	5	6
Agriculture	1.78**	0.4145	1.41**	0.4730	0.3691
Forestry	4.82**	0.4225	3.80**	0.7489	0.1136
Fishing	4.89**	0.2093	4.10**	0.5864	0.0256
Mining & Quarrying	5.18**	2.7633	5.11**	2.7683	0.2495
Primary	1.96**	0.3826	1.80**	0.4130	0.3250
Secondary	3.78**	1.3433	3.44**	1.3796	0.0994
Transport	5.73**	0.2612	4.20**	0.8620	0.0212
Community & Public Services	7.81**	0.2359	5.35**	1.2383	0.0041
Finance & Real Estate	4.18**	0.1791	3.42**	0.5272	0.0251
Total Net Domestic Product	3.99**	1.4070	3.20**	2.4569	0.0073

Industry	Gompertz				
	Trend equation	Growth rate			
		1960-61	1967-68	1974-75	D*
1	7	8	9	10	11
Agriculture	$2.0054+(0.0000708)\times(1.6565)^t$	0.04	0.01	0.18	1.4118
Forestry	$2.2649-(0.3387)\times(0.87198)^t$	7.15	9.12	5.84	6.8398
Fishing	$2.1582+(0.1002)\times(1.0023)^t$	5.63	7.08	9.12	6.5454
Mining & Quarrying	$2.2699-(0.3215)\times(0.8657)^t$	6.66	9.64	5.84	1.4604
Primary	$2.0085-(0.0003835)\times(0.9992)^t$	0.02	0.02	0.08	29.0202
Secondary	$2.1488-(0.1302)\times(0.93648)^t$	5.36	4.23	2.98	5.0291
Transport	$2.5770-(0.0474)\times(0.9594)^t$	1.96	1.63	1.20	61.0791
Community & Public Services	$1.1783+(0.1253)\times(1.0023)^t$	2.75	3.78	5.39	5.9614
Finance & Real Estate	$2.0078+(0.0895)\times(1.3232)^t$	1.56	2.32	4.82	2.3472
Total Net Domestic Product	$1.8549+(0.1499)\times(1.0583)^t$	1.21	1.89	3.74	0.3981

* D indicates the ratio of the sum of squares of deviation of the observed values from the trend value to the corrected sum of squares. This is a rough measure of degrees of fit as between two types of curves. The relevant formula is given below:

$$D=\frac{\sum_{t=1}^{15}(Y_t-Y_t^*)^2}{\sum_{t=1}^{15}(Y_t-\bar{Y}_t)^2}$$

where, Y_t = Observed value and Y_t^* = Corresponding trend value and $\bar{Y}_t$ = Mean.

**Significant at both 1 per cent and 5 per cent level

total net domestic product at factor cost in 1974-75 although it has declined from the high percentage figure of 52.2 per cent of 1960-61. The contribution of primary sector in capital formation of the economy still remains at no more than one-fifth of total domestic capital formation of India. Percentage shares of the primary sector in gross domestic capital formation are 17.9, 20.3, 20.2 and 18.4 respectively for the years 1960-61, 1970-71, 1973-74 and 1974-75. The corresponding percentage shares of the secondary sectors are 36.2, 38.7, 35.9 and 39.9. The share of community and personnel services and of finance, real estate and ownership of dwellings is no less than 20 per cent for all the years under consideration. As the structure of domestic capital formation is an important indicator of the trend of growth of an economy, the declining, at best constant, percentage share of the primary sector in domestic capital formation is a reflection on its declining role in national welfare and development.

growth of output

The aggregate welfare in the rural economy and in the economy as a whole depends not only on growth of output and generation of income but also on its fair distribution among the people concerned. Whether the position with regard to distribution of income is changing for the better/worse is as yet debatable. It appears from the study of the National Council of Applied Economic Research that the concentration ratio for rural income distribution (Gini's coefficient) declined from 0.43 in 1968-69 to 0.39 in 1969-70 and to 0.38 in 1970-71 indicating decrease in inequality in rural income distribution over time due to different measures introduced in the country for helping the poor and land reforms.[6]

On the other hand, there are a large number of evidences of the widening income disparity among the different strata of population in the rural economy, specially, in the wake of the green revolution in the sixties ushering in new farm technologies, enabling bigger farmers to make greater use of these technologies by virtue of their greater command over resources and replacing the old inverse relationship between farm size and productivity by a new positive relationship between the two.[7] Notwithstanding the differences of opinion regarding the weight to be attached by the society to inequality in distribution of income and wealth, the existing pattern of distribution, beyond doubt, leaves much scope for enhancing aggregate welfare through their redistribution.[8]

The share of agriculture in net domestic product at factor cost has declined from 49.3 per cent to 38.0 per cent between the years 1960-61 and 1974-75.[1] Its share in net national product has declined from

FIG. 3 GROWTH OF SECONDARY INDUSTRIES

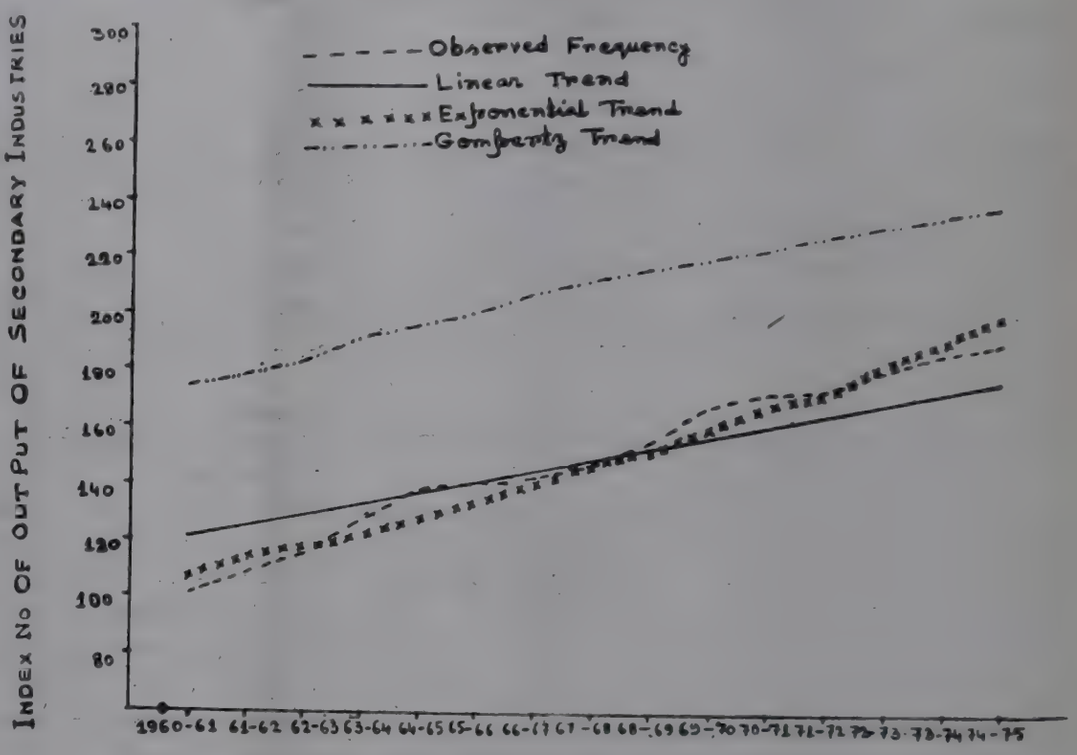
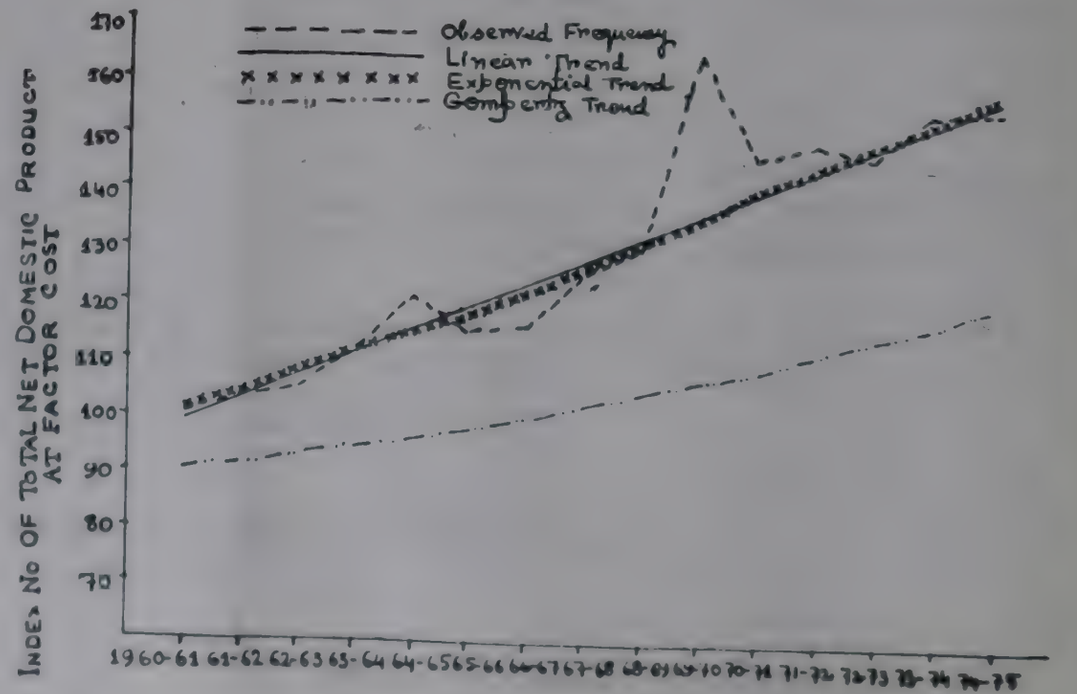


FIG. 4 GROWTH OF TOTAL NET DOMESTIC PRODUCT AT FACTOR COST



52.5 per cent in 1960-61 to 42.9 per cent is 1975-76.[4] The computed growth rates for the different sectors of the economy over the years under study exhibit that the contribution of agriculture to net domestic product is not high when compared with other sectors of the economy. It appears that the pattern of contribution to national income and aggregate welfare has undergone change over the years with definitely declining relative importance of agriculture. This is a welcome trend inasmuch as it tends to improve upon the unbalanced character of the country's economy.

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Focus on small scale industries

Homi J. H. Taleyarkhan

There is no doubt about the scope for the development of small scale industries all over the country. The author says that the various processes in this direction have to be streamlined and cooperation sought from voluntary organisations such as chambers of commerce and industries, manufacturers, technocrats' associations etc. to ensure that small scale industries play a large role in the economic growth of the country.

THE FOCUS is on development of small scale industries today—their promotion not only in the developed parts of the country, but particularly in the underdeveloped and backward regions of various states. Over 500 industries have been exclusively reserved for development in the small scale sector.

What is exactly a small scale industry is the question to be asked. It will be surprising to know that there are 50 different definitions of small scale industries in 75 countries of the world! So far as India is concerned, we define small scale industries as those whose value of plant and machinery does not exceed Rs 10 lakhs or Rs 15 lakhs in the case of ancillary industries, that is, those industries which are started with the purpose of providing spares and other components to bigger industries in the area.

The main reasons why small scale industries are proposed to be fostered more intensively are because they are labour intensive, that means they generate employment potential, and secondly because they can assist in the development of developing and backward areas so that the disparities between the developed parts of the country and the backward regions could be reduced. Skills could also be picked up by people in such underdeveloped areas both by training and by experience. Small industries also would not involve heavy financial commitments.

Small scale industries comprise two sets of industries—the traditional and household industries such as handlooms, khadi and village industries, handicrafts, sericulture, coir, the other set comprises modern small scale industries whose value of plant and machinery I have already defined. It consists of textiles, a vast variety of engineering, chemical, rubber, pharmaceutical, printing presses and a host of other small industries.

The great spurt in small scale industries can be guaged by the fact that their number has increased from 57,000 in 1969 to 270,000 registered units today. If the unregistered units were also to be counted they would count upto over 500,000. In the same period, the institutional credit for those industries has gone up from Rs 286 crores to Rs 1421 crores. The value of production of SSI units reached Rs 7600 crores by the end of 1977 and is expected to touch Rs 26,700 crores by 1982-83—an increase of 300 per cent. Their exports touched Rs 1000 crores.

In the first four years of the fifth Plan, Rs 388 crores were spent. The Plan outlay for the development of SSIs for the period 1978 to 1983 has been raised to Rs 1410 crores in the public sector, but if we count the estimated Rs 2000 crores from private sources including banks and financial institutions, it will come up to Rs 3400 crores. The objectives are what I have mentioned above including raising level of earnings of the rural populace and progressively reducing the role of subsidies and replacing it increasingly with the supply of credit on a selective basis.

The main thrust is for providing employment opportunities. The total number of people employed in all types of SSIs today is estimated at about 16.8 million including over 14 million in the traditional industries mostly in handloom and sericulture and over 2.8 million in modern small scale types. On the traditional side, they are mostly part-time and underpaid but in the modern types, they are comparatively well paid and full-time. The aggregate of employment is expected to exceed 30 million by 1982-83 or additional employment of seven million person years.

Other advantages of SSIs are that they promote decentralisation and dispersal of industries, the development of agro-based and ancillaries, improved skills of our artisans and the quality of their products.

They greatly assist in the production of articles and items for home consumption as well as small parts for industrial requirements.

Over 2500 items are produced today by SSI units. They include a large number of those which have export potential and import substitution capabilities, not only of those SSI units functioning in the developed regions but also those in the backward areas, as I have seen during my tours to various parts of Maharashtra, Goa and Daman, Bangalore and elsewhere.

In order to ensure that these projects progress smoothly, it is vital that their difficulties are removed, that they get the necessary incentives and at the same time they show their own initiative. The needs of the self-employed, like those, who come from the educated unemployed category, the technically qualified or experienced personnel, the small inventor particularly require to be looked after and encouraged.

The difficulties of the small scale entrepreneurs are: complicated and cumbersome procedure and formalities, voluminous forms to be filled in with innumerable details, causing great delays and greater frustration. (In MSFC, we have succeeded in cutting down the time substantially in sanctions and disbursements of loans).

adequate precautions

Of course, financial institutions have to take adequate precautions and loanees have to cooperate by giving the necessary information required in order to have the consideration of their loan applications expedited. Very often delays are also caused by the applicants not supplying the necessary information and securities called for in time. But if there is any unhelpful attitude on the part of financial institutions towards the borrower, every effort must be made, as MSFC has done, to eliminate it at all levels.

The other difficulties of entrepreneurs are: poor liquidity position, non-availability of power and of raw material, slackness of demand, marketing deficiencies, middleman's margin, inadequate technical know-how, insufficient managerial experience, controls and regulatory mechanisms.

As regards incentives, there is no dearth of funds with banks or with financial institutions. In fact, they are overflowing, even trying to outdo one another in attracting the borrower. Indeed it is necessary to be on guard that as a result of too much enthusiasm, there is not too much proliferation of agencies which might tend to confuse the small entrepreneur.

Today there are many institutions many of them vying with one another to woo the borrower, but at the same time, very often imposing so many conditions that the wooed consider it to be a woe.

They discharge the same functions, namely, of giving loans in one way or another, as a result of which very often they overlap. The banks not only give working capital, to which they should be confined, but also term loans which is the function of the financial bodies like the SFCs which are quite capable of discharging their duties.

banks' function

In 1976-77, SFCs all over the country assisted 8000 units with loans aggregating Rs 100 crores. Banks should give term loans only in those areas where SFCs cannot reach, because the former have large number of branches.

Any units assisted by the one should be assisted by the other on the acceptance of each other's appraisal, or by simultaneous processing till such time as joint appraisal is possible. In this respect common application forms proposed to be introduced from October this year would greatly facilitate processing for the entrepreneur as well as save time and labour of the institutions. This will assure complementarity in activities and functions and not overlapping deteriorating into competition. The compartments of assistance should be clearly demarcated.

The Industrial Development Bank of India (IDBI) now directly under the Finance ministry and no longer a subsidiary of the RBI, as it was, is essentially a refinancing organisation which enables lower rates of interest to be charged to the borrower by refinancing the loans sanctioned by the development banks and others. It has recently simplified its procedures by making all refinance upto Rs 5 lakhs automatic, that means, without the necessity of taking prior approval of the IDBI, case by case, which used to cause much delay in passing on the benefit of the lower rate of interest to the entrepreneur.

For example, since 95 per cent of all assistance rendered by the MSFC is under Rs 5 lakhs, that is, it is essentially to serve the needs of the genuinely needy small man starting a small or tiny industry or wishing to set himself up in business by self-employment to earn a decent livelihood, most of the MSFC sanctions will be covered under this scheme. IDBI has also not imposed any limit at the lower end. That means loans running into even a few hundred rupees could be refinanced.

aid to technocrats

Advances to technocrats, whether qualified academically or only by virtue of experience, are now available for guarantee cover upto 90 per cent. The amount of outstanding guarantees stood at Rs 24,000 in March 1978 for SSI units.

There are other factors necessary for ensuring success of SSI units: the reduction of dependence on the middle man; proper marketing intelligence service and also surveys; availability of project profiles and development of proper testing facilities and quality control.

Other requirements are : standardisation of products; purchase preference by government departments for products of SSIs and preference in supply of raw material to such units; close marketing links with medium and large scale industries to ensure that SSIs products are paid for in time as they can ill-afford waiting too long for such payments and provision through seed money for reducing the burden of margin money which the small and genuinely hard up entrepreneur cannot afford.

It is necessary that there is reduction in rates of interest for educated unemployed and for technically qualified and/or experienced persons; assurance of a proper test-cum-after-sales service for selected industries; development of technology and research to improve quality and for finding new processes; manufacture of small and simple

machines for operation by the rural or semi-urban man unaccustomed to complicated and sophisticated machinery.

There should be ready availability of funds without too much cumbersomeness involved for establishing title to the land. For example, MSFC has arrived at an accord with Maharashtra Industrial Development Corporation (MIDC), for giving lands and providing infrastructure; MIDC will make lands or sheds available in their industrial areas to any units which have been sanctioned loans by MSFC. We are now working out simplification of procedure also for units functioning on or proposed to be started on private lands. Finally it is important to keep a regular watch on progress of industries reserved for development in the small scale sector, to ensure proper utilisation of their capacities.

In order to encourage people to come forward to take up small scale entrepreneurship, it is essential not only to declare facilities but to make such facilities easily available to them and to let them know how to avail of it. Proper guidance is essential.

power supply

Electrical supply should be sanctioned soon. If there is shortage or staggering, the entrepreneurs can take advantage of the MSFC scheme to take loans up to Rs 5 lakhs for purchase of power generators. It will be better to go in for this facility even if it costs more in maintenance rather than have breakdown in production now and then and with costly labour sitting idle.

No objection certificates (NOCs) from government and local authorities should be readily available. Numerous licences from local bodies should be minimised and simplified in obtaining. Assistance should be given wherever possible in obtaining technical personnel. Transport delays by rail or by road should be minimised.

Loans should be available on easy terms. Rates of interest should be within the reach of the small man. Period of payment both of interest and of principal should be long enough, with extensions in cases of genuine difficulty. Processing fees for applications should be reasonable.

MSFC has mostly done all that. Its rates of interest, repayment period and processing fees are very considerate. In developed and developing areas of the state (that is 13 districts in all) and of the union territory it is 11 per cent with refinance from IDBI and only 8½ per cent again with refinance in the remaining 13 districts of the state which are declared backward.

sanctioning authority

The repayment period of ten years includes moratorium on principal for two years. The interest requires to be paid only every six months. Nearly 80 per cent of the sanctions up to Rs 2 lakhs which are cleared at the regional levels, are sanctioned within two months and thanks to the decentralised machinery, most of the remaining, at regional, managing director's executive committee's or board levels in less than three to four months, with disbursements following quickly and if there are any delays, they are due to the loanees not being prepared to take the instalments of the disbursements because of various difficulties of their own.

The rate of recovery, a very important feature of the operations of loaning bodies, has not been found satisfactory both in banks and in SFCs due to various reasons, some of them beyond the control of the loanees but quite often due to their own defaults in various respects. In the case of MSFC, the recoveries were as high as 70 per cent last year on current fall-due though on accumulated fall-due the percentage would not be so high. While accelerated efforts are being made to ensure proper recoveries, MSFC at any rate shows sufficient consideration by reschedulement of recoveries and other such liberal measures for those who are in genuine difficulties.

It has been estimated that the number of accounts in the country in default by the end of March 1978 rose to 27,000 involving an amount of Rs 117 crores. The main causes of defaults are sickness due to wrong selection of industry which may be already over-crowded, mismanagement, dishonesty of borrowers, technical incompetence, decline in demand of products, failure of market forecast, delays in payment of big buyers, lack of quality and so on. A study has indicated that about Rs 200 crores are lying locked up due to the sickness of over 8000 SSI units.

MSFC has been the first financial institution to come forward with a package of concessions for genuinely sick units. It is also the main plank of the Plan under small scale industries to nurse sick units back to normal health as far as possible.

Industrial estates have a positive role to play though their contribution, since their inception over two decades ago, uptodate cannot be said to have been spectacular. Today, there are 656 sanctioned industrial estates in the country. Of these only 470 are functioning. Over 13,000 units are working, of which 10,000 are reporting production, valued at Rs 500 crores and with nearly two lakh person employed.

About Rs 70 crores have been spent on the construction of government sponsored industrial estates and their allocations during the Plans has gone up from Rs 10 crores in the first to Rs 45 crores in the latest Plan (1978-83).

Maharashtra's status

Maharashtra is the most advanced state in industrial development including small scale units. There are 40,000 to 50,000 such units employing some 700,000 persons. The largest number of them are assisted by various government agencies to which reference has already been made. In Maharashtra there are 69 industrial estates in which over 2000 units are functioning employing nearly 40,000 persons.

Thus the scope for development of small scale industries all over the country, especially with the growing awareness and consciousness of their potentialities, is certainly there. Now, the various processes have to be streamlined and human element of sympathy to be increasingly shown with of course due caution.

Maximum cooperation from voluntary and representative organisations like chambers of commerce and industries, manufacturers and technocrats' associations needs to be secured and a coordinated programme between all agencies concerned drawn up, in order to ensure that small scale industries play a large role in the economic growth of the country as a whole.

New hope on the energy front

V. R. Bhatt

London

The Princeton achievement of nuclear fusion which promises inexhaustible pollution-free energy could not be more timely than at present with mounting gloom around non-renewable sources of energy particularly oil, says the author. So far as the commercial viability of the new discovery is concerned, the depletion of conventional energy is bound to create a climate to sustain its initial high cost.

THE ANNOUNCEMENT on August 13 of a breakthrough in nuclear fusion research at the American Princeton University, must have electrified the scientific world in every country as it foreshadows within 20 to 30 years the provision of inexhaustible, cheap and almost pollution free energy, which today is the lifeblood of civilization in whatever stage or form it exists anywhere. Scientific advances in any sphere of life, destructive or constructive, have affected and moulded the economy and polity in all ages, but never more profoundly than in the field of energy, starting from the taming of fire, its primeval source. It is the development of electric power from primary energy sources, coal, oil, gas and water that created the present material civilization of fast communications, large-scale industry and global transport. The atom and hydrogen bombs and missiles have radically transformed the international power balance and hopefully maintain world peace by their balance of terror.

WINDOW ON THE WORLD

The Princeton achievement was to prove that nuclear fusion, the uniting together of atoms at high temperatures which is the process that powers the Sun and which was used to produce the hydrogen bomb) is a feasible method of producing cheap and inexhaustible energy because its basic fuel is just sea water which covers three quarters of the globe.

Hailed by Dr Stephen Dean, the director of the USA department of Energy as "the biggest thing that has ever happened in fusion research as it answers the question whether fusion is feasible from a scientific point, of view", the experiment consisted of producing a temperature of 60 million degrees centigrade for one-tenth of a second in a test reactor, without melting its metal walls protected by magnetic fields. The highest temperature produced earlier was 25 million degrees. According to scientists a temperature of 44 million degrees is required to produce a self-sustaining fusion process.

The research in taming the atomic processes that produced first the Atom Bomb, which explodes by the fission or splitting of the nucleus of atoms and later the several hundred times more powerful thermonuclear Hydrogen Bomb which explodes by the fusion of atoms, has been going on since the end of the last world war. The Atom Bomb process was made self sustaining and controlled to establish the nuclear power stations which are now prevalent in India and many other countries. But this process has the disadvantages of depending on uranium a non-renewable mineral (like the fossil fuels of oil, coal and gas) and the problem of disposing safely the radioactive waste it produces. The fusion process depends on the hydrogen atoms of deuterium and tritium of which sea water is an inexhaustible source and does not produce radioactive waste.

a breakthrough

There are three important centres of fusion research in the world, all of which are in sight of the kind of breakthorugh achieved by the Princeton scientists. The Soviet Union has been experimenting in a giant reactor it has constructed and has claimed steady progress. The European Economic Community after protracted haggling between its members on the location of its equally big European Torus reactor are now building it at Culham near Cambridge. A spokesman has said after the Princeton announcement that "they are not far off".

Although scientists in western Europe have acknowledged that the Princeton experiment is a breakthrough, they consider that at least 20 years of further research in larger and more complex reactors would be needed before the first fusion power station is erected. American scientists are more optimistic and foresee the fusion technique being perfected in another five years though to make it commercially viable will take more time. However there is now confidence in the scientific world that the fusion process will definitely be tamed and be the major source of energy from the early years of the next century.

The Princeton success could not have been more timely than at the present period of mounting gloom as non-renewable sources of energy, particularly oil are being rapidly depleted while alternative energy

sources are not being developed fast enough. An "intensive" study by the International Energy Agency (IEA) whose 19 members, including the USA, Japan, West Germany, Canada and Britain, consume two-third of all world production of oil is relevant in this context. The study was undertaken to see if the IEA countries could implement the agreement they had reached to hold the line on oil imports to 26 million barrels a day in 1985. (On an average 50 million tons of oil equals one million barrels a day.)

inadequate performance

The agency in its recently published report says:—"Performance to date by IEA members as a group is judged to be inadequate. No country escapes criticism. Present projections indicate that IEA countries are far from reaching their target of 26 million barrels of imported oil a day in 1985. Oil imports are now projected at 29.2 million barrels a day, and this figure may be on the optimistic side since it assumes a strengthening of present energy policies in some countries.

"Unless certain programmes planned e.g. by W. Germany and Japan are promptly executed" and unless real domestic energy prices are at least kept constant, the figure might be 10-15 per cent higher—33½ million barrels. (All figures—the target and the projections—exclude bunkers.)

"If, as IEA and the countries now project, oil demand for the world as a whole (including OPEC's demand for its own oil and bunkers for all countries) increased to 42-48 million barrels and OPEC production is only 36-38 million barrels a day, a potential gap of some 4-12 million barrels a day could develop. Such a gap could be translated into higher real prices."

The agency (which was established on the initiative of the USA after the oil price explosion of 1974) attributes the major factor is the increasing consumption in the USA whose oil imports are projected to rise to 11.4 million barrels a day by 1985 and 13.9 million in 1990—as compared to seven million in 1976.

Looking at other measures, of conservation of oil and development of alternative energy sources, the agency calls for an improvement in conservation programmes of the IEA countries. The performance on the development of alternative energy sources, it says is inadequate. Energy self sufficiency for the IEA area is expected to drop to 62 per cent by 1990 from the 66 per cent till 1985 unless intensified efforts are made in development of natural oil and gas sources, non-conventional and synthetic hydrocarbons, solid fuels and substitution and eventual reduction of oil used as baseload of boiler fuel. Nuclear powered electricity (from the fission process) is continuing to grow but unevenly. As hardly any progress has been made in the development of solar, wind, tides energy sources, the report has no comments on these.

Meanwhile the voracious appetite for energy in the developed countries of IEA is expected to grow steadily, the per capita consumption in tons of oil equivalent (toe) rising to 6.33 by 1985 and 6.98 by 1990 from 4.89 base of 1976. At the top of the consumer list are Canada with 10.94 (toe) per capita and the USA with 10.00 (toe) without president Carters National Energy Programme and 9.60 (toe) with it. The other countries including Japan and West Germany will have more modest increases.

Against this projection of fast depleting energy sources, the promise of the fusion process stands out like a beacon of hope for humanity. When fully developed and commercially viable, it will overtake the other systems under research or in infant stages of development, such as solar energy or the more exotic one of tromemitting the Sun's energy to earth by satellite. Research in the USA by aerospace companies helped by Astronautics programme research have predicted that by 1990 gigantic solar power satellites placed in stationary orbit 22,300 miles over the equator could beam down solar energy through radar waves into electricity grids.

But none of these can equal the productivity and cheapness of fusion generation which is a replica of the process by which the Sun produces energy and keeps it in control. The 60 million degrees achieved in Princeton, scientists proudly claim is four times the estimated temperature at the Sun's core. To have produced it and controlled it even for one-tenth of a second is an historic achievement.

The questions that remains to be answered are the commercial viability and risks of the process. The existing fusion nulear power stations began also as laboratory experiments, were uncompetitive againt conventional oil or coal based stations but have now reached a stage of being safe and competitive as a result perhaps of the explosion of oil prices. The depletion of the non-renewable energy sources, now accelerating is bound to create a climate that may sustain even a high cost fusion technology initially. With research and the availability at no cost of the basic sea water fuel, there is every prospect of fusion power being cheap and abundant. That should not for the present at least lead to a loss of interest in solar and other alternative forms of research as they may have a relevance for certain regions and certain uses as in the running of houses.

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Manager

The American presence in Canada's corporate sector

Suresh K. Jain

The author says that the Canadian corporate sector is subservient to the dictates of its American principals. Unlike Japan or Mexico which have clamped restrictions on foreign capital, the Canadians, he says, have no will to stand up to the American economic pressures.

CANADA IS in the throes of an unprecedented drain of its corporate resources. Every day of the year some $15 million flow out of the country to pay foreign investors, 80 per cent of it going to the United States. The situation has become so chaotic that not only are the Canadians obliged to borrow increasingly to pay for earlier loans but the massive draining of funds has made it increasingly difficult for them to take independent economic and political decisions.

How much the Canadian economy is a thrall to the Americans can be gauged from the fact that people in this country own less than 10 per cent of their own petroleum industry, seven per cent of rubber industry, seven per cent of the computer industry, 21 per cent of chemicals and less than half of the rest of general manufacturing. In each case the power is vested with Americans.

The result is that in most cases the Canadian companies are obliged to act at the behest of their American principals. Take the case of a company wishing to sell its products to Cuba. It cannot, because the organisation is owned by Americans and the US Trading with Enemy Act forbids such a deal. For the same reason another company cannot sell machinery to the Soviet Union and rubber conveyor belts to China. And nothing can be done about it as long as the boardrooms in Chicago, Detroit, Los Angels and New York or those perched in positions of authority at the Capital Hill in Washington do not bless the deal.

An idea of how the Canadian industry has been sliding in favour of Americans can be had from the fact that Canada was the third largest manufacturer of automobiles until 1929. Today there is no car industry, only branch plants and an Autopact with the United States. The pact was supposed to provide cheaper cars and more jobs to Canadians but all that it has done is to enhance the profitability of the US auto manufacturers by making the Canadians pay higher prices for vehicles. Last year in terms of automobiles and parts alone, the Canadians had a trade deficit of one billion dollars in favour of Americans.

Far from taking effective measures to control the flow of foreign investments the Canadians have allowed it to grow to astronomical proportions. In 1969, the figure for foreign investment stood at $ 44 billion but by 1976 it had almost doubled to reach an all-time high of $81 billion. Curiously enough most of it is not fresh money pouring into the country; it is, in fact, money generated from internal resources.

Worst still, Canada is now obliged to have further injections of fresh US capital, which among others, includes, building a 10 billion dollars gas pipeline. To be built by an American consortium, with help from Canadian governments, the pipeline will help transport Alaskan gas to the United States, across-Canada. It is being done not because the Canadians want to pollute their environment, displace its people and further distort capital markets, but because the Americans want the gas and this is the only way it can flow to them.

Elsewhere too the Canadian sell-out to American oil companies has been visible. For instance some years ago the Canadian scientists and entrepreneurs developed the technology for extraction of oil from tar sands in Alberta. The permission to market the product was, however, denied to them. Instead, both the lands and technology were turned over to American oil companies who are now busy putting up a series of plants.

Again, in 1976 when Canada raised the price of its oil and gas, that had not yet been contracted for, among its US customers, there was a hue and cry from across the border. The American ambassador in Ottawa went on record to say: "Canada can't simply unilaterally cut back on its relations with the United States and expect there won't be a reaction from us." But five years earlier (August 15, 1971) when the United States unilaterally imposed a 10 per cent tariff on all imports, it did not take into account the fact of disrupting Canadian trade.

It is not that the Canadians are not aware of their economic predicament. They find themselves in an unenviable situation. Every time there is even a slight move to reassert control over their economy, the American captains of industry hurl thunderbolts across the border.

For the first time a warning about foreign control of Canadian businesses was sounded by a royal commission investigating the country's economic prospects in 1957. The same feelings were aired by the nation's minister for Revenue in 1972, yet foreign control continues to grow. Unlike many other countries where a change in political climate can affect the fortunes of US investors, their money is safe in Canada. The American companies are free to send home management fees, patent royalties and interest on investment. They can inflate prices in Canada, while selling Canadian-made goods in the United States at bargain prices.

The power of multinational corporations is not a problem exclusive to Canada. It can be fought and the scales can be tipped. The question, however, is whether the Canadians have the will to do so. Japan and Mexico have laid strict rules for the US investors. India has done the same thing. Canada too could pass a law forcing foreign companies to distribute their profits and sell more shares to Canadians or rearrange tax policy to make them gradually relinquish control. The possibilities indeed are limitless. But what is apparently lacking is a sense of national compulsion.

MOVING FINGER

The president, Mr Sanjiva Reddy, in my view, will never qualify for sainthood, although Andhra Pradesh has been traditionally good at contributing its quota of godmen to the national pantheon. In his Independence Day message, after dutifully registering his holy horror at "the oligarchy of a few families controlling big industrial empires and wielding enormous money power" and thereby posing "a big threat to the country's political system besides distorting its socio-economic base", he told us how he was trying to set an example of simple living and high thinking to the numerous millions of his countrymen, who, as the whole world knows, are simply wallowing in high living without thinking about it at all.

The president, for instance, has surrendered a large part of his salary and even such salary as he receives is taxable "just as in the case of any citizen". But, unlike other citizens, whose housing problems are generally of a different kind, the president has just not been able to find a smaller residence than the one he now occupies. In fact, in this respect, his tribulations have been worse than that of any middle-class family in Delhi desperately needing to shift from a *barsati* to a one-room flat. Consequently he has resigned himself to spending the rest of his presidential days in Rashtrapati Bhavan, despite the intense mental anguish this existence must cause him. Pity the poor president. Although he has cut his salary, his act of renunciation can never be complete, thanks to the fecklessness of the minister for Works and Housing; Mr Sikander Bakht has much to answer for, in this world and the next.

Money power, says Mr Reddy, poses a big threat to the country's political system. But this is a threat which our politicians do not seem to be able to live without. In fact, it is the power of money, if not money power, which so obviously enables our politicians to excel themselves in the service of the *janata* whenever they are electioneering to save India for democracy. In any case, whether it is a threat to our political system or not, money power, or even merely money is not something by which our politicians are taken unawares—ask Mr C.B. Gupta. On the contrary, they have to go to great lengths—some might say, to any length—to seek it out. Often no less than an Alladin's Lamp will do—especially if your political base is in UP and the money power that has to be evoked is in distant Bombay.

If, by the time these lines appear in print, the Janata party squabbles are not fully and finally settled, I suggest with due modesty, but not with excessive humility, the following scheme for the affairs of state to be carried on. Mr L.K. Advani should announce on his own authority—which is as good as anybody else's in the prevailing circumstances—a panel of three public-spirited citizens, viz, Mr George Verghese, Mr D.R. Mankekar and Mr N.R. Malkani, to draw up a design for a board of trustees, which will oversee the running of the government by the bureaucrats according to the many thousands of rules and regulations laid down by the numerous acts of legislatures, or orders made under those acts. Mr Ajit Bhattacharjea, who has a hot line to the Lok Nayak, may assist this panel as its part-time secretary in an entirely honorary capacity; the panel will not be able to afford a paid full-time secretary since Mr Advani's authority may not extend to appropriating money for the expenses of this exercise from the consolidated fund of India.

Since Mr Verghese is being kept busy in many ways and Mr Mankekar is abroad most of the time, trying to [illegible]valid bids. reflection in the non-aligned news [illegible] while Mr Malkani has yet to complete reorganizing *The Organizer*, the panel will be under a strong temptation not to waste time, but complete its work as early as possible. The projected board of trustees should, therefore, be in position on Gandhiji's next birth anniversary, even after time has been allowed for the processing of the panel's recommendations. This essential chore should be entrusted to a holy trinity of Acharya Kripalani, the Shahi Imam of Jama Masjid and Maharishi Mahesh Yogi, the last of whom will of course have the benefit of the worldlywise counsel of Mr K.B. Lall. It will have to be made clear to this trio, however, that they, for the love of their country, should solemnly declare at the outset that they themselves will not be available for serving on the board of trustees even if there were to be a national movement for drafting them. Mr K.B. Lall, however, need not be disqualified outright, although Mr V. Shankar may create some difficulty.

It will be highly impro- per, of course, to try to anticipate the proposals of the panel regarding the modalities of the selection or constitution of the board of trustees; it is only fair that Mr Verghese should be able to cerebrate in ivory-tower detachment, at least to the extent permitted by the self-importance of Mr Mankekar or the self-righteousness of Mr Malkani. Nevertheless, it may be suggested even at this stage that, since the board of trustees ought to be given a dignified and decorous start, steps should be taken to forestall objections to or criticisms of the composition of the board from possible malcontents or contrary individuals.

Dr Subramaniam Swamy, for instance, should be asked to stay on in China for the necessary period of time. Messrs Bahuguna, S.N. Mishra, Ram Dhan, Krishna Kant, Madhu Limaye, Maniram Bagri, C.M. Stephen and N.K.P. Salve may be respectfully requested to take themselves off to the Paunar *ashram* for the practice of *maunam* for the duration. It will not matter, however, if Mr Y.B. Chavan or Mr Piloo Mody were to feel free to express themselves; nobody takes

Th[illegible] seriously any way, although not for the same reason or reasons. Since the best laid schemes o' mice an' men gang aft a-gley, it should be informally understood, as a measure of prudence, that Mr Biju Patnaik may use fair means or foul to ensure that the board of trustees is got going smoothly. One final precaution: care must be taken to ensure that *Sunday* publishes no interview with Mr Sanjay Gandhi, nor *India Today* with Mr Kanti Desai on anything relating directly or indirectly to the board of trustees or its working.

I referred earlier to Dr Subramaniam Swamy's visit to China. This important happening is scheduled for the beginning of next month. With Dr Swamy it has been a case of 'Barkis is willing' for many months now. Peking has at last said not only that Dr Swamy could come, but also that it will bear his expenses and those of his wife who will be accompanying him on this trip. This means that the Janata MP is going to China in a purely personal capacity. One may ask the question whether a member of parliament, when he is not visiting a foreign country as a member of an official parliamentary delegation, could with propriety undertake an expense-found trip by the courtesy of a foreign government. I am aware that this is not the first instance of its kind, but surely some attempt should be made some time to fix norms.

According to a newspaper report, the foreign secretary went to Dr Swamy's house to brief him on the latter's forthcoming visit to China. I very much doubt that Dr Subramaniam Swamy really felt that he needed to be briefed at all. In case he did, the correct thing for him would have been to go to the foreign secretary's office in the south block for what is after all an official purpose.

I am making this point because I believe that correct patterns should be set up for dealings between members of parliament and members of the public services. This will be one safeguard against a recurrence of the kind of distortions which developed to such an outrageous extent during the emergency in the relations between politicians or public figures on the one hand and officials on the other.

Whether Mr Khushwant Singh is intellectually honest or not, there is no doubting the fact that he has the animal honesty of man's (here 'man' includes 'woman') best friend. For all the bees buzzing in his bonnet, there is no humbug about the man; he does not expect the world to take him too seriously. His successor at *The Illustrated Weekly of India* could do worse than follow his example in this respect. Mr M.V. Kamath, who is now acting editor, may have a thing or two to learn here. Rediscovering India after spending 20 of the last 23 years abroad, chiefly in the US, he finds that this country is no place for the good samaritan.

A beggar lies dying on the pavement near Mr Kamath's office, but passers-by can't care less. Mr Kamath rings up the city police, but "all he got was a yawn"; Bombay telephones should be audio-visual. Four hours later—which was the limit of tolerence for his "gnawing conscience" —Mr Kamath returns to where the beggar lay and finds him gone, i.e., dead. Mr Kamath is sad, but his friends are cynical. "Who do you think you are? Mother Teresa?" they ask. What a silly question! Was he claiming that, when he first saw the dying beggar, he sat down to cradle his head on his lap? Or, even that he rushed him to the public hospital which was close by?

The prime minister's ailing wife was admitted to the All-India Institute of Medical Sciences on August 13. Her health is happily improving. She has been receiving medical treatment for mental depression and broncho-pneumonia. More than half the people of our country seem to be suffering from mental depression for at least half the years of their lives—and who can say that they have no cause? But broncho-pneumonia is a different matter altogether, especially where elderly patients are concerned. It calls for expert doctoring and the most careful nursing. Mrs Desai may not be lacking either. Mr Desai himself took off to Bombay later in the week to perform official chores such as inaugurating the Indian Coast Guard Service—and his son and daughter-in-law were keeping him company.

Old people especially like to have the hand held when they are ill, by their near and dear ones. But, then, the present prime minister is a *karma yogin*. Gandhiji, I suppose, was another. But, here is a letter he wrote on October 15, 1938, from Peshawar to Kasturba Gandhi, who was then in Delhi and ill, with her sons, Ramdas and Devdas, attending on her: "Ba, you are causing me a great deal of worry this time. I keep swinging between my concern for you and my sense of *dharma*. The mind prompts me to run down to you. Dharma tells me to remain were I am and finish the work here. If you get well soon now, my worry may end".

Some years later, when he was a "Quit India" detenu at the Agha Khan palace in Poona, Gandhiji wrote movingly to the authorities for permission to be at the bedside of "Ba" in her last illness. The Home secretary to the government of Bombay replied churlishly, rejecting the plea. (The late H.V.R. Iyengar, who was then in the Home department of that government, used to be quite proud of the draftsmanship of that reply.)

Mr M. Chalapathi Rau bade farewell to *National Herald* rather in the mood and the manner in which Cardinal Wolsey regretted his past—"Had I but serv'd my God with half the zeal I serv'd my King ...." The problem with Mr Rau, however, was that his god died several years ago, although much time had to pass before Mr Rau came to feel that "in mine age", he had been left naked "to mine enemies". Mr Krishna Kant's tribute to him that "the period of emergency had been a difficult one for Mr Chalapathi Rau, but he steered the paper through it" was of course one which was motivated by politeness, the occasion being a farewell function. During the closing phase of his association with that newspaper, he had to put up with a lot, but he did put up with it. For old time's sake I would always like to think of him as the "Magnus" of *The Hindustan Times*. "Magnus" and "Super". Laurel and Hardy—or, rather, the other way about. It was fun then to be young and innocent.

VB

TRADE WINDS

Gold Imports

THE GOVERNMENT has decided to canalise import of gold through the State Bank of India under the gold jewellery export replenishment scheme. Further amendments have also been made in the licensing procedure to bring import of gold under OGL. The export trade control order also has been amended to cover export of gold jewellery. The government issued a number of notifications on August 18 to give effect to these changes which will enable implementation of the scheme from August 21.

According to details of the gold jewellery export replenishment scheme released on August 18, gold bought from the SBI under the scheme shall be subject to all provisions of the gold control law.

The scheme provides for the replenishment of pure gold to the extent of 75 per cent of the FOB price of the items exported. A minimum added value of 33-1/3 per cent over the value of the pure gold content will be insisted upon in respect of the exports made under the scheme and for the purpose of replenishment of gold. The added value will be calculated by relating the value of the pure gold content in the jewellery exported at the price ruling on the date on which the relevant shipping bill is endorsed by the licensing authority. The items of ornaments allowed for export shall be limited to jewellery made of gold of purity not less than 0.5833 fineness and will not include studded jewellery. The minimum gold content would correspond to 14 carats. The scheme will be limited to exports effected against such orders as are backed by either an irrevocable letter of credit or payment on cash-on-delivery basis. The documents should be negotiated through authorised exchange dealers only.

Replenishment Order

Each order should relate to a single buyer overseas although it may cover more than one item of export. The entitlement to replenishment of gold shall arise only after realisation, in foreign exchange, of the export proceeds through an authorised exchange dealer.

Exports under the scheme shall be allowed only by air freight and through the custom house at Bombay, Calcutta, Madras and Delhi. The exporter shall, within 15 days from the date of realisation of the export proceeds in foreign exchange, submit the shipping bills to the licensing authority for issue of the release order for imported gold. No release order issued under the scheme shall be transferred and each order will be valid for a period of 30 days from the date of its issue. For the purpose of calculating the quantity of pure gold to be set down in the release order, no allowance will be made for any wastage. The designated office of the SBI will sell the gold to the holder of the release order at notified price as ruling on the date of its sale. Where gold of purity less than 0.999 is sold, the State Bank will be entitled to make necessary quantitative adjustment, but within the value limit of the connected release order. Gold will be sold in multiples of 10 grams only.

In the case of cooperative socieities of certified goldsmiths, membership of the Gem and Jewellery Export Promotion Council will not be a pre-requisife to participate in the scheme to begin with. But they should join the council within three months from the date of first export. The Gem and Jewellery Export Promotion Council will keep the particulars of the identification marks, if any, of its members under the 'hallmarking scheme' of the Indian Standards Intitution, but it would not be obligatory on the part of its members to follow the hallmarking scheme until further orders.

Ninth Auction of Gold

The Reserve Bank of India has raised the minimum reserve price for the sale of gold in the ninth auction held on August 17 to Rs 711 for 10 gm. The maximum price quoted and accepted came to Rs 721. It may be recalled that the minimum reserve price in the first auction of May 3, last was Rs 620, so that over the nine auctions held so far, the maximum retail price has been advanced by as much as Rs 91. Even though the RBI had received the highest and record number of bids (1,939) for the ninth auction and the maximum price offered was Rs 721, it accepted only 605 bids out of a total of 1,932 valid bids. The percentage of the total bids accepted to the total of valid bids received, thus, fell to 31.31 per cent against 71.05 per cent in the seventh auction of July 26 last. The RBI sold 853.1 kg of gold valued at about Rs 609.37 lakhs in the latest auction. The sale was as follows: 16,500 gms to 11 bidders at prices from Rs 721 to Rs 720, 140,700 gms to 94 bidders at prices from Rs 719 to Rs 715; and 695,900 gms to 500 bidders at prices from Rs 714 to Rs 711. The average quantity sold to each bidder came to 1.41 kg worth one lakh rupees.

Gold for Jewellery Export

The Finance ministry issued an order on August 19 authorising the State Bank of India to sell primary gold in the form of standard gold bars to licensed dealers against the release order issued by the licensing authority under the gold import scheme for export of jewellery. The gold control administrator has simultaneously authorised licensed dealers to by or otherwise acquire gold from the State Bank of India against the release order issued by the licensing authority. Licensed dealers who purchase gold from the SBI under the scheme "shall not sell or otherwise dispose off the gold so purchased, to any other licensed dealer but may use such gold in the making, manufacturing etc. of ornaments for export or for internal sales or may sell such gold not exceeding 100 grammes at a time to a certified goldsmiths for the purpose of making, manufacturing etc. of ornaments or articles."

The government notified on August 21 that the price at which the gold will be sold to

the release order holders by the State Bank of India would be Rs 580 per 10 grammes of pure gold (1.000 fineness) exclusive of any local taxes applicable to it. This price will continue until further orders. The following branches of the State Bank of India will sell gold in accordance with the gold jewellery export replenishment scheme: The chief manager, overseas branch, State Bank of India, Calcutta; the chief manager, overseas branch, State Bank of India, North Beach Road, Madras; and the chief manager, overseas branch, State Bank of India, New Delhi.

Industrial Prdouction Up

An assessment of the recent trend in industrial production made by the ministry of Industry shows that the rate of industrial growth during the first four months of the financial year, April-July 1978, is likely to be seven per cent. This is in line with the target of seven to eight per cent growth announced earlier by the Industry minister, Mr Georoge Fernandes. The growth rate of seven per cent constitutes substantial acceleration over growth rate of only 3.5 per cent realised last year, and reflects the success of the government's programme to effectively tackle problems in the industrial sector.

A sub-committee of the cabinet has been meeting, almost twice a week, to monitor production in crucial sectors, and to ensure that timely corrective measures are taken, wherever necessary. The power generation has shown an increase of 14.5 per cent during April-July 1978 over the corresponding period of the last year. As a result, except for a few states, there has been improvement in the power availability for industry and agriculture in different parts of the country. Production of cotton textiles, which had shown a decline in the first quarter of the last year, has also shown improvement with cotton yarn production increasing by 5.8 per cent and cotton cloth production including blended, increasing by 2.7 per cent in the first quarter of the current year. Production in a number of other consumer goods like, dry cells, refrigerators, razor blades and lamps has also shown improvement. Sugar production in the current sugar season has crossed 6.4 million tonnes as against 4.77 million tonnes in the previous sugar season.

The production of steel and coal was affected in the earlier months of the current financial year due to various problems, including strike in Singareni Coalfields and shortage of power in the Durgapur region. In the month of July, however, production of coal is estimated to be 8.2 million tonnes as against an average production of about 7.8 million tonnes in the previous three months.

Saleable Steel

The production of saleable steel in integrated steel plants has also been increasing progressively. The total saleable steel production in July 1978 was 5.7 lakh tonnes as against 5.5 lakh tonnes in June and 5.2 lakh tonnes in May. The ministry of Steel expects further improvement in production in the remaining part of the current year because of the action taken to improve performance of plants and availability of railway wagons for supply of coal. In any case, because of the decision to import sufficient quantity of steel to meet domestic shortfall, the effect of production losses in steel plants on other steel-using industries has been minimised. Thus, production of industrial machinery, particularly transport equipment (e.g. commercial vehicles) and tractors, registered substantial increase in the first quarter.

The ministry of Railways has also taken measures to improve availability of wagons for movement of essential raw materials for industry and for reducing the turn-round time. As a result, in the month of July, there was improvement in wagon availability for movement of essential goods. For example, in the movement of coal for cement industry, 100 per cent of the requirement of wagons from Singareni and Central Coalfields to cement factories was met. Total wagons available for movement of coal increased to 9520 per day in July as against 8837 in June and 8590 in May, this year. In order to reduce the burden on railways, government has also taken steps to move coal by road over short distances.

Excise on Sugar

Consequent upon decontrol, the government has fixed the effective rates of basic excise duty and additional excise duty on sugar at 11½ per cent *ad valorem* and six per cent *ad valorem* respectively on and from August 16, 1978. The government has also fixed a tariff value of Rs 215 per quintal effective from the same date for assessment of sugar to excise duties. The duty concession scheme applicable to excess production of sugar during the period May, 1978 to September 1978 has been restricted to hold good upto August 15, 1978 only. A new scheme fixing the rate of exemption at Rs 25 per quintal has been announced for the remaining period, namely, August 16, 1978 to September 30, 1978.

Annual Report Award

The Council of the Institute of Chartered Accountants of India, New Delhi, has announced that the panel of judges for the annual competition for 1976-77 have adjudged the annual report and accounts of Bharat Heavy Electricals Limited (for the year ended March 31, 1977) as the best and accordingly it has decided to award its Silver Shield to this company. The panel of judges have also highly commended the accounts of three of other companies and decided to award its plaques to Escorts Limited (for the year ended December 31, 1976), Grindlays Bank Limited (Indian branch) (for the year ended December 31, 1976) and The State Trading Corporation of India Ltd (for the year ended Mrch 31, 1977).

Exchange Earnings of IBP

Export earnings of the public sector Indo-Burma Petroleum group of companies amounted to Rs 4.03 crores during 1977-78 and the group expects a 10 per cent growth in their foreign exchange earnings during the year 1978-79. Balmer Lawrie, a constituent of Indo-Burma Petroleum group of companies has been formally recognised by the government as an export house. The group had earned through exports Rs 2.07 crores in foreign exchange during 1976-77. During 1977-78, IBP group earned foreign exchange through export of a turn-key barrel manufacturing plant to Zanzibar and management services contract with Bahrein

Petroleum Company. IBP recently set up in Dubai a drum manufacturing plant which is generating recurring exports of components and raw materials from India. Currently the IBP group is engaged in setting up a Rs 4.04 crores lube blending-cum-packaging complex in Abu-Dhabi and a Rs 5 crores sewage treatment plant in Iraq.

Transformer for UAE

A small sector transformer manufacturing unit in the Panki industrial area in Kanpur has bagged an export order worth $25,000 from the UAE. The first export consignment was released for shipment on August 16. The unit run by two young Indian Institute of Technology trained engineers, has been financed by the State Bank of India. It is probably for the first time that a small sector unit in Uttar Pradesh has exported sophisticated electrical equipment.

Boiler Combustion Technology

Bharat Heavy Electricals Limited have successfully developed a technology for substitution of precious fuel oil by producer gas (low calorific value coal gas) for thermal power stations. The substitution of fuel oil will result in net saving of foreign exchange to the tune of Rs 400 million per annum. In India fuel oil is being consumed at the rate of 5.52 lakh kilolitres, costing Rs 550 million per annum in lighting up and stabilising pulverised coal flame in coal fired boilers of total capacity of 13,000 MW. This is exclusive of fuel oil being used in oil fired boilers. The combustion technology of using low calorific value producer gas will eliminate completely the use of costly and scarce fuel oil in thermal power stations. The cost of producer gas equipment for generating, conveying and burning will be recovered in two to five years depending on the cost of coal. There will be continuous saving thereafter of large amount of money by the use of producer gas beside conserving the precious fuel oil. Presently coal fired thermal power stations all over the world use fuel oil to the extent of 25 per cent as compared to heat input by coal firing for starting up and stabilising of coal flame at low loads.

Boiler combustion technology has been developed by Research and Product Development group on boilers at Tiruchi. Tests were carried out successfully, jointly by Hardwar and Tiruchi units of BHEL in a thermal power station at BHEL, Hardwar.

New Sources of Energy

The department of Science and Technology is sponsoring research projects in the area of hydrogen energy. At present, a R & D project for production of hydrogen by photo-electrochemical decomposition of water using solar energy and for storage of hydrogen is in progress. Also a project on mathematical programming model to facilitate systems study for use of hydrogen energy and a project on technology study for hydrogen energy systems are in progress at Indian Institute of Technology, Delhi and Madras respectively. The government is aware of the possibility of using hydrogen as fuel for automobiles and of the research done in this regard in other countries. However, there are a number

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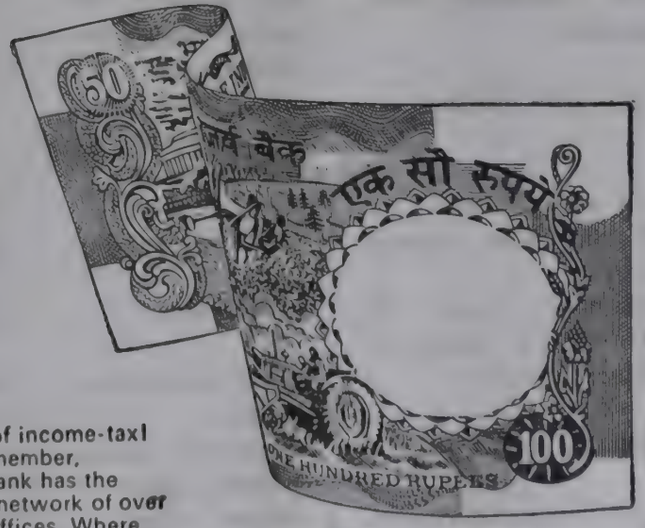

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of technical problems associated with production and storage of hydrogen, besides cost.

The department of Science and Technology has also sponsored a research project on the utilisation of geothermal energy. Installation of cold storage pilot plant using the geothermal energy of the hot springs at Manikaran in Himachal Pradesh is in progress, prime minister, Mr Morarji Desai informed Rajya Sabha recenty. A project for design and development of a 1 KW vertical axis wind mill for pumping and for electricity generation was also in progress.

Swiss Franc Bond Issue

An issue of Swiss Franc Bonds of the International Bank for Reconstruction and Development (World Bank) was planned for public offering in Switzerland from August 15 to August 18, 1978 by a syndicate of leading Swiss banks. The banks would offer SwF 250 million of 4¼ per cent 15-year bonds. The bonds will be issued at 100-½ per cent. The underwriting group is managed by Swiss Bank Corporation with the Swiss Credit Bank and the Union Bank of Switzerland as co-managers. The new issue, to be known as the Emprunt en Fracs Suisses 4¼ per cent 1978-93 (4¼ per cent Swiss Franc Bonds of 1978, due 1993), will be dated September 15, 1978, and will mature on September 15, 1993. Interest will be payable annually on September 15, with the first payment due on September 15, 1979. Bonds are scheduled to be repurchased in the market in the nominal amounts of SwF 5 million per annum in the years 1981 through 1991 to the extent this can be done at or below par during the 60-day period preceding the coupon dates in those years.

Duty on Materials for Electronic Components

At the instance of, and on the basis of analysis by, the department of Electronics, import duty on several important raw materials required for the manufacture of electronic components have been reduced over the last six months. The table below shows the reductions effected up to July 31, 1978.

The import duty on these materials had made significant contribution to the cost of components for which they were imported. It is hoped that, for their part, electronic component manufacturers would pass on the full benefit of these reduced import duties to the users of components, in the form of reduced prices.

Name of electronic components	Name of the raw materials	Original duty (per cent)	Reduced duty (per cent)
Reed relays	Infra red observing glass tubes, Rhodium electro plating salts, Rhodium electro plating replenisher salts.	85-208	45
Carbon film resistors of power rating upto 20 Watt	Ceramic rods	*	45
Metal film resistors of power rating upto 20 Watt		*	45
Metal oxide film resistors of power rating upto 20 Watt		*	45
TV deflection components	Self bonding insulated copper binding wire	*	45
Transistor headers	Glass powder, Glass pellets and Metal eyelets.	*	45
TV picture tubes	TV glass shell	186	75
Plastic film capacitors	Metallised plastic film	208	75
Magnetic tapes & Plastic film capacitors	Plastic film	208	75
Mica capacitors	Silver powder suspension	120	45
Printed circuit boards	Photoresist photopolymer films.	*	45
(i) Diodes, transistors, and similar semiconductor devices.	Silicon wafers	75	45
(ii) Monolithic and hybrid integrated circuits.	Epoxy resins and Silicon resins	235	45
	Photoresist.	75	45

*Varying, but high.

India-Sri Lanka Cooperation

An eight-member industrial delegation sponsored by the Federation of Indian Chambers of Commerce and Industry (FICCI), which visited Sri Lanka from July 16 to 22, 1978 headed by Mr Hari Shankar Singhania, vice-president of FICCI, has referred to the improved investment climate in Sri Lank as a result of several economic reforms introduced by the new government. The delegation has assessed that the newly established Katunayake Investment Promotion Zone in greater Colombo offers "attractive incentives to become a promising investment centre." This is so not-withstanding the various constraints such as: "non-availability of adequate infrastructure facilities, high cost of land and capital." Indian entrepreneurs can explore and negotiate mutually beneficial terms and fields for joint ventures.

Among the fields identified for investment in the IPZ are: Assembly and manufacture of bicycles, auto parts manufacture, electrical and electronic items, garment manufacturing units, paints and dyes, processing and minerals, rubber products, salt and wood based industries.

As to scope for joint ventures in other parts of Sri Lanka, the areas stated to have promising potentials are: Concrete transmission line poles, diesel engines and marine engines, electrical and electronic appliances and equipment, food processing, housing contracts, mini sugar plant, paper and pulp based on soft wood, plastic equipment, power til-

lers, railway sleepers and coaches, rice milling solvent extraction, etc, textile machinery, woollen blankets.

As to promotion of bilateral trade, the delegation has pointed out that efforts should be made to increase our imports from Sri Lanka as large deficit in the balance of our trade is a matter of great concern to the island. In this regard, the delegation observes that apart from increasing imports of items like graphite, cloves, cocoa, possibilities could be explored for increasing our intake of items like gems and semi-precious stones, apatite, a kind of rock phosphate which India is presently importing.

IDA Credit for Haryana

The state of Haryana will get a $ 111 million credit for an irrigation project under an agreement signed with the International Development Association, a World Bank affiliate. The agreement was signed by Indian ambassador Mr N.A.Palkhivala and World Bank vice-president, Mr W. David Hopper in Washington recently.

The state government plans to brickline 2900 km long canals and 2100 km long water courses during the current financial year at a cost of Rs 16.40 crores. Drinking water would be supplied to 175 villages at a cost of Rs 13.15 crores during next four years.

Award on Narmada Waters

The Narmada Water Disputes Tribunal forwarded on August 16 to the central government a report giving its decision on the matters referred to it. The more important features of the award are as follows:

(1) The annual utilisable quantum of Narmada waters which can be depended upon in 75 years out of 100 is assessed to be 28 million acre feet (MAF). (2) Out of the utilisable quantum of 28 MAF of 75 per cent dependability, Madhya Pradesh is allotted 18.25 MAF, Gujarat 9MAF, Rajasthan 0.50 MAF and Maharashtra 0.25 MAF. The party states would get the same proportionate share in years of excess or scarcity. (3) The full supply level of Navagam canal off taking from Sardar Sarovar is fixed at +300′ at its head. With the prescribed slopes, the canal would each Rajasthan border at a level of about 131′. (4) The full reservoir level at Sardar Sarovar dam in Gujarat at Navagam is fixed at +435′ and the maximum water level at+460′.

(5) Madhya Pradesh and Maharashtra are allotted 57 per cent and 27 per cent respectively of the electric power produced at Sardar Sarovar. The balance of 16 per cent is allotted to Gujarat. Madhya Pradesh and Maharashtra are also directed to share the proportionate cost of the power portion of Sardar Sarovar complex. (6) Specific directions are given to Madhya Pradesh for releases in a regulated maner of due share of water for Gujarat and Rajasthan. For these regular releases, Sardar Sarovar project is required to credit to Narmadasagar project 17.63 per cent of the actual cost of Narmadasagar dam unit I. Detailed guidelines for framing rules of regulation and water accounting are set down to ensure that party states get their due share. (7) Detailed directions are given for acquisition of land by Madhya Pradesh and Maharashtra for Sardar Sarovar and for rehabilitation of oustees by Gujarat, Madhya Pradesh and Maharashtra. (8) A two-tier machinery is directed to be set up to ensure the implementation of the decisions of the tribunal. (9) The award is subject to review at any time after a period of 45 years from the date of the award.

Now that the tribunal has given its report and decision, the way is clear for the speedy implementation of the various projects on this river which would provide irrigation in an area of about five million hectares which is nearly 10 per cent of the area at present under irrigation, in the country.

The Narmada is the largest west flowing river and is the fifth largest river in the country.

Names in the News

Dr Horst Langer has taken over as managing director of Siemens India from August 16, 1978, from **Mr H.G. Salge**, who has been heading the company for the past five years. Mr Salge is going to take over a division of Siements AG, Germany, handling industrial projects worldwide. Dr Langer brings with him a wide experience of over 15 years in the electrical engineering field which includes research and development.

Mr N.M. Desai has been elected chairman of the board of directors of Engineering Construction Corporation Limited, a wholly owned subsidiary of Larsen and Toubro Limited. Mr H. Holck-Larsen had been chairman of the board since 1961.

The Gujarat government has appointed **Mr Rohit C. Mehta**, an industrialist as the first chairman of the Gujarat Narmada Valley Fertilizers Company Limited (GNFC). Mr Mehta is the chairman and managing director of Rohit Mills Limited, Ahmedabad and Rajesh Textile Mills Ltd, Bombay and also the chairman of Gujarat State Textile Corporation Ltd, Ahmedabad. He is closely associated with the management of the companies like McGaw Ravindra Laboratories (India) Ltd, Ahmedabad, Bipin Silk Mills Co Private Ltd, Bombay, Mehta Corporation Private Limited, Bombay, Rajiv Netttings and Engineers Pvt Ltd, Ahmedabad, Mehta Investments and Traders Pvt Ltd, Ahmedabad and Laroche Navarron Arvind (India) Pvt Ltd, Ahmedabad.

Mr K.B. Lall, retired ICS, has joined the board of directors of Guest Keen Williams Ltd as chairman. Mr Lall who had held various senior positions in the central government, was till a year back the Indian ambassador to Belgium and Luxembourg and special envoy for Economic Affairs to Western Europe.

Jehangir Adi Moos has been designated company secretary, Glaxo Laboratories (India) Limited with effect from August 18, 1978. Mr Moos joined Glaxo's legal department in 1973 and was appointed assistant secretary in the following year. Before joining Glaxo, Mr Moos practised as a counsel on the original side of the Bombay High Court for five years.

UNITED ASIAN BANK BERHAD

(Incorporated In Malaysia)

BALANCE SHEET AS AT 31st DECEMBER 1977

31.12.1976			31.12.1977
	Share Capital:		
	Authorised		
$25,000,000	25,000,000 Ordinary shares of $1/- each		$25,000,000
	Issued and fully paid capital:		
10,000,000	20,000,000 Ordinary shares of $ 1/- each		20,000,000
—	Share Premium (Note 2)		271,500
8,500,000	Reserve fund (Note 6)		13,500,000
835,361	Profit and loss appropriation account		362,668
19,335,361	Total shareholders' fund		34,134,168
	Current liabilities:		
462,429,847	Current, fixed, savings and other deposits of customers	$642,064,733	
—	Term deposits of banks	3,000,000	
72,184,979	Deposits and balances of banks and agents	29,767,992	
34,517,981	Other liabilities including provisions	46,178,224	
3,438,231	Bills payable	4,332,024	
420,000	Proposed first and final dividend less tax	960,000	
572,991,038			726,302,973
592,326,399			760,437,141
408,116,873	Acceptances, guarantees and other obligations on behalf of customers as per contra		434,985,025
$1,000,443,272			$1,195,422,166

31.12.1976			31.12.1977
	Current Assets		
$83,764,180	Cash and balances with banks and agents		$67,489,537
25,500,000	Money at call and short notice		31,500,000
	Investments (At cost—Note 5)		
62,997,785	Malaysian Government Securities	$91,155,686	
717,629	Unquoted securities	1,748,829	
			92,904,515
165,626,179	Bills receivable		222,601,315
234,511,911	Advances to customers		322,075,598
	Fixed Assets		
13,037,151	Bank premises, properties and equipment at cost, less amount written off		14,483,132
6,171,564	Other Assets		9,383,044
592,326,399			760,437,141
408,116,873	Liabilities of customers for acceptances, guarantees and other obligations as per contra		434,985,025
$1,000,443,272			$1,195,422,166

The annexed notes form an integral part of and should be read in conjunction with these accounts.

Profit and Loss Account for the Year Ended 31st December 1977

1976			1977
	Net profit for the year after providing for diminution in value of assets, contingencies and after making allocations to inner reserves		$11,187,307
$9,379,356	LESS:		
4,875,000	Taxation on the profit for the year		5,700,000
4,504,356			5,487,307
[682,542]	After charging: Depreciation	$ 1,012,895	
751,005	Balance brought forward from previous year		835,361
5,255,361			6,322,668
	Deduct: Transfer to Reserve:		
2,250,000	Statutory Reserve	2,750,000	
1,750,000	General Reserve	2,250,000	
420,000	Proposed first and final dividend of 8% (1976: 7%) less 40% Income tax	960,000	5,960,000
$835,361			$362,668

The annexed notes form an integral part of, and should be read in conjunction with these accounts.

NOTES ON THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Fixed Assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets at the following rates:

Premises	2½% per annum	Wooden furniture	10% per annum
Electrical installation	20% per annum	Motor vehicles	20% per annum
Metal furniture	10% per annum		

(b) Currency conversion

Transactions in foreign currencies have been converted into Malaysian Ringgit at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies at the balance sheet date have been converted into Malaysian Ringgit at the rate of exchange ruling at that date. Gains or losses both realised and unrealised resulting from the year's operations have been treated as normal revenue items.

2. SHARE CAPITAL

Issued and fully paid ordinary shares of $1 each

	1977	1976
	$	$
Balance at 1st January	10,000,000	10,000,000
Right issue during the year	10,000,000	—
	$20,000,000	$10,000,000

During the year, the Bank had a rights issue at par of one share for each share held. 9,457,000 shares were taken up at par at the time of issue and the balance of shares amounting to 543,000 were sold at a premium of 50 cents per share resulting in a share premium account of $271,500.

3. DIRECTORS' REMUNERATION

The total amount paid or payable to the Directors as remuneration for their services for the year ended 31st December, 1977 is as follows:

	$	$
Fees	86,000	86,000
Other emoluments	84,000	70,000
	$170,000	$156,000

4. AUDITORS' REMUNERATION

The total amount payable to the auditors for their services as auditors for the year ended 31st December, 1977 is $60,000 (1976: $45,000).

5. INVESTMENTS

	1977		1976	
	Cost	Market Value	Cost	Market Value
	$	$	$	$
Malaysian Government Securities	51,310,092	51,608,510	44,015,545	44,698,935
Treasury Bills	39,845,594	Not Quoted	18,982,240	Not Quoted
	$91,155,686		$62,997,785	
Unquoted Investments	$1,748,829	Not Quoted	$717,629	Not Quoted

6. RESERVE FUND

(a) Statutory Reserve

	1977	1976
	$	$
Balance at 1st January	5,350,000	3,100,000
Transfer from Profit and Loss Account	2,750,000	2,250,000
	8,100,000	5,350,000

(b) General Reserve

Balance at 1st January	3,150,000	1,400,000
Transfer from Profit and Loss Account	2,250,000	1,750,000
	5,400,000	3,150,000
Total Reserves	$13,500,000	$8,500,000

7. COMPARATIVE FIGURES

Certain comparative figures have been reclassified where necessary to conform with the current year's presentation.

REPORT OF THE AUDITORS

To the members of United Asian Bank Berhad:

In our opinion, the annexed Balance Sheet and Profit and Loss Account, together with the notes thereon, are properly drawn up in accordance with the provisions of the Companies Act, 1965, with such modifications and exceptions as have been determined by Bank Negara Malaysia pursuant to sub-section (16) of Section 169 and so as to give a true and fair view of the Bank's state of affairs at 31st December 1977 and of the results for the year ended on that date.

In our opinion the accounting and other records, including registers, examined by us have been properly kept in accordance with the provisions of the Act, and the Directors' Report made pursuant to sub-sections (5) and (16) of Section 169 of the Act in so far as it is required by the Act to deal with matters dealt with in the accounts and other records examined by us, gives a true and fair view of such matters.

Dated: 9th June, 1978.
Kuala Lumpur.

HANAFIAH RASLAN & MOHAMAD
Chartered Accountants
Certified Public Accountants

BOARD OF DIRECTORS

Chairman:

Y.A.M. Tengku Ibrahim Ibni Al-Marhum Al-Muadzam Shah Sultan Sir Abu Bakar, S.S.A.P., S.I.M.P., S.P.M.P.

Vice Chairman:

Mr. Kishenchand T. Jethanand

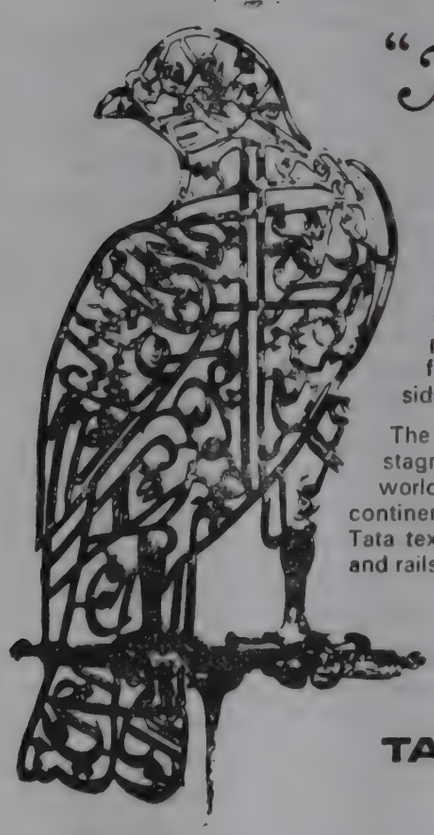
Chief Executive Director:

Mr. R. Pichal

Directors:

Mr. K. Vishnu Murthy Yerkadithaya
Mr. V.R. Desai;
Mr. A.M. Kadhiresan;
Mr. M.V. Subba Rao;
Datuk Abdullah bin Ahmad,S.P.M.J.,P.L.P.,P.I.S.;
Datuk A.R.A. Nachiappan, P.M.K.,A.M.N.,J.P.;
Mr. H.E. Chan;

Mr. R. K. Sood (Alternate to Mr. V. R. Desai); Mr. M. Subbiah (Alternate to Mr. M. V. Subba Rao); Mr. R. Ramachandran (Alternate to Mr. A.M. Kadhiresan)



"Made in India" -for the world

In the middle ages and for centuries earlier from the time of Alexander, the whole of the then known world was the market-place for India. Spices, silks and the finest muslins, perfumes and fragrances—and finally high-quality steel for the finest Damascene blades, went by camel and mule to the out side world over the Khyber Pass and the legendary 'Silk Route'.

The wheel has turned full circle. After a brief period of colonial stagnation, India has once again become a producer for the whole world. In this Tatas have played a pioneering role...on all five continents...with Tata steel going to America, Tata trucks to Europe, Tata textiles and radios to Africa, tubes and press tools to Australia and rails and railway equipment to Asian countries like Burma.

TATA ENTERPRISES

COMPANY AFFAIRS

Larsen and Toubro

LARSEN AND Toubro has decided to enter the cement manufacturing industry. The cement project to be undertaken as a department of the company will be located either in Chandrapur district, a backward area of Maharashtra which has good limestone deposits or elsewhere. The one million-tonne annual capacity plant will incorporate the latest technology and the product will be manufactured by the company according to the design of F. L. Smidth and Co, its collaborators and producers of cement machinery for many years. The plant is expected to be commissioned in 1982 and will require an investment of Rs 60 crores. The finance will be provided from internally generated funds, borrowings and additional share capital, if required. The management feels that this project will be in the interest of the future growth of the company.

The company has acquired land at Ahmednagar (Maharashtra) for setting up light engineering workshops. Construction of the factory is scheduled to start this year and production in 1980. With the emphasis by the government on irrigation, power generation, petroleum, fertilisers, cement and other core sector industries, there will be market for the company's production. Mr N.M. Desai, chairman, has said that diversified product lines have been the company's safeguard, but company's planning and development is engaged in identifying on an on-going basis new business opportunities. If past performance is an indication the prospects can be considered good.

Production at the company's workshops dropped to Rs 48.1 crores at sales value in 1977-78 from Rs 57.4 crores in 1976-77. The switchgear factory expanded its range of contractors, fully-automatic star-delta starters and fuse and fuse switch units. The electronic controls division brought out a new generation of converters.

The new factory at Faridabad became operational during the year 1977-78 and commenced the manufacture of switchboards. The heavy workshop successfully fabricated and delivered a nuclear reactor vessel to the Madras atomic power project. This was the third such vessel to be made by the company.

Goodyear

Goodyear India's sales volume for the year ended December 31, 1977 was Rs 52.16 crores as against Rs 55.44 crores in 1976. During the year, depressed state of road transport and the severe overcapacity of the tyre industry resulted in further erosion in selling prices which, together with unrecovered cost increases since the last price increase in early 1975 and severe power restrictions at Ballabhgarh factory, seriously affected the profitability of the company. The gross profit for the year 1977 was Rs 79.26 lakhs against Rs 230.21 lakhs in 1976. After providing for depreciation Rs 124.39 lakhs (Rs 127.87 lakhs), investment allowance reserve Rs 3.40 lakhs (Rs 6.50 lakhs) and income tax nil (Rs 76.66 lakhs) the net loss for the year 1977 was Rs 48.53 lakhs against the net profit of Rs 19.18 lakhs in 1976. The boasd of directors of the company, in a meeting held on July 17, 1978, has recommended a dividend of Re 0.60 (Re 1.00) per equity share, payable out of general reserve after adjusting the current year's debit balance.

CALICO

The directors of the Ahmedabad Manufacturing and Calico Printing Company Limited, have revealed in their annual report for the year ended March 31, 1978 that turnover of the company increased to Rs 116.23 crores as against Rs 102.67 crores a year before. Out of a profit of Rs 711 lakhs for the year, a sum of Rs 319 lakhs has been provided for depreciation and Rs 303 lakhs as interest on fixed loans. Taking into account a sum of Rs 392 lakhs as balance of surplus from previous year, a sum of Rs 112 lakhs has been paid as dividend on ordinary and preference shares. An amount of Rs 316 lakhs has been carried forward. A dividend of Rs 15 per share has been paid on 733,958 ordinary equity shares of Rs 125 each.

The exports of the company and its subsidiaries aggregated to Rs 937 lakhs. There was a fall in exports due to a slump in the international market and restrictions on imports by buyer countries. The year 1977-78 was a difficult one for the company mainly due to unrestricted free imports of polyester fibre at dumping prices which adversely affected the offtake of indigenous fibre and resulted in a steep decline in its price. In the textile division, a new distribution policy aimed at reducing inventories and outstandings was introduced by the company. The full impact of this change would be felt in the current year. The company's application to the Industrial Development Bank of India (IDBI) for a soft term loan of Rs 12.76 crores in two phases for renovating and modernising the plant and machinery of its textile division is awaiting approval.

The working of the chemicals and plastics divisions was satisfactory. In the chemicals and plastics division, the trichloroethylene plant is being expanded and equipment for the polyvinyl pyrolidone plant is on order.

Tata Oil

Mr J.R.D. Tata, chairman Tata Oil Mills Co Ltd, visualised bright outlook for the company at the annual meeting in Bombay recently. He told shareholders that the company's working during the first four months of the current financial year was good with production improving by 25 per cent. The company's profitability had also moved up largely because of the upward revision in selling prices by about eight per cent (average). The company had restrained from raising its prices earlier despite the increase in costs because of an appeal from the prime minister early last year to maintain the price line.

Mr Tata hoped that the improved trend in the company's

working was likely to be maintained in the coming months, and that the overall working for 1978-79 would be better than that in the previous year. He disclosed that the public financial institutions and banks held a total of 39.2 per cent of the company's equity capital. The LIC was one of the largest shareholders with a holding of 20.8 per cent.

Birla Cotton

Birla Cotton Spinning and Weaving Mills for the year ended March 1978, recorded sales at Rs 30.06 crores against Rs 24.30 crores last year. The gross loss of 45.37 lakhs was lower as against Rs 134.11 lakhs in the previous year. After providing Rs 46.49 lakhs (Rs 39.66 lakhs) for depreciation and Rs 0.44 lakh (Rs 0.52 lakh) for taxation, there is a net loss of Rs 92.40 lakhs against Rs 174.30 lakhs. A debit balance of Rs 25.11 lakhs has been carried forward after a transfer of Rs 67.29 lakhs from general reserve.

Mafatlal

The total sales of the Mafatlal Fine Spg and Mfg Co, during the first four months of current year (April to July 1978) have risen to Rs 20.52 crores, from Rs 19.60 crores achieved in the same period of the previous year, according to Mr Arvind N. Mafatlal, chairman of the company. At the annual meeting, he stated that there was a 5.5 per cent increase in the sales of textiles division during the four-month period whereas the chemicals division maintained its sales during the period. On the export front the performance of the company was not as good as last year. This was mainly because

are you responsible for paying any interest ?

if—

YOU are not an individual or a Hindu Undivided Family

YOU pay to a resident person interest exceeding Rs. 1,000 in aggregate in a financial year (not being interest on securities)—

Unless specifically exempted by law,

THE INCOME TAX LAW REQUIRES YOU TO—

DEDUCT due amount of tax at the prescribed rate, at the time of crediting the interest to the account of the payee or at the time of payment, whichever is earlier.

DEPOSIT the tax so deducted to the credit of the Central Government within one week from the end of the month in which such tax is deducted. Deposit may be made at any office of the Reserve Bank of India, or the State Bank of India or its subsidiaries conducting Government business or at a branch of a specified public sector bank authorised to accept payment of tax at the concerned stations with an income-tax chalan in the appropriate prescribed form, obtainable from the Income-tax Office.

HOWEVER if you are carrying on a business or profession and the interest is credited to the account of the payee in your books as on the account closing date, you may deposit the tax deducted from the interest so credited within two months from the end of the month in which your accounts are closed.

FURNISH to the payee a certificate in the prescribed form (No. 19A) in regard to the tax deducted from Interest paid to him or credited to his account.

SEND to your ITO a statement in the prescribed form (No. 36A) every quarter on 15th July, 15th October, 15th January and 15th April — in respect of the tax deductions made by you during the preceding quarter.

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davp 78/153

f the fall in the textile exports, e said.

Although the controlled cloth bligation was taken away by he government the company vould have to bear this burden n the first six months of the urrent year. The chairman, owever, expected a bright uture for the company in the nsuing year on the basis of he company's working in the irst four months. He added hat the company has embarked upon major diversification nd expansion programme nvolving a total of Rs 11 rores spread over three years. Of this as much as Rs 7.5 crores vould be spent on textile divi-ion and the remaining amount on the chemicals division. In he textiles division the diversi-ication will be mainly for ex-pansion of loom capacity whereas in the chemicals divi-sion it will be for a better pro-duct mix within the existing li-censed capacity. The chairman said that after the diversifica-tion and modernisation pro-gramme the company would be on a very sound footing.

Punjab Pesticides

Punjab United Pesticides and Chemicals Ltd, Chandigarh, has started commercial produc-tion from April 21, 1978. Ini-tially, the plant began with a capacity of one tonne a day, but it is now producing 2.2 tonnes a day on an average, which is about 110 per cent of the installed capacity. Sales till June 30 this year amounted to Rs 31 lakhs. The directors are hopeful of matching produc-tion with sales by September 30 on the basis of the output for the next three months.

The company received loans of Rs 35 lakhs from ICICI. Rs 35 lakhs from LIC and Rs 3 lakhs from the Punjab and Sind Banks Ltd. The bridge loan of Rs 30 lakhs from the Andhra Bank Ltd has been paid off. The directors have applied for a change in the financial year of the company from the pre-sent July-June period to Octo-ber-September period. By a resolution, they have extended the current financial year to September 30, 1978.

Crescent Dyes

Crescent Dyes and Chemi-cals, the shares of which are being offered for sale to the Indian public by the Imperial Chemical Industries of the UK, at a premium of 20 per cent, hopes to expand and diversify its activities after becoming an Indian company. The chairman Mr A. L. A. Muda-liar, feels that with the company going out of FERA constraints, it will be able to undertake sophisticated pro-jects, particularly in the fields such as dyes and chemicals. The company, which is pre-dominantly a trading unit now, hopes to become a large manu-facturing organisation in the near future.

Imperial Chemical Industries of the UK, which is the parent company of Crescent Dyes, formerly known as ICI (India), will be offering to the Indian public 1.44 million equity shares of Rs 10 each of Cres-cent Dyes at a premium of Rs 2 per share. With this offer for sale, which will open on August 28, the shareholding of ICI in Crescent Dyes will dec-line to 40 per cent.

The shares now being offered to the Indian public will rank for the full and final dividend in respect of the year ending Sep-tember 30, 1978. The company has already paid an interim dividend of five per cent for 1977-78 on a capital of Rs 160 lakhs which has been raised to Rs 240 lakhs by the issue of one-for-two bonus shares. The company paid a dividend of 14 per cent for 1976-77 and 25 per cent for 1975-76.

The company's performance in the past few years has been satisfactory with sales rising from Rs 25.22 crores in 1974-75 to Rs 30.11 crores in 1975-76 and further to Rs 31.84 crores in 1976-77. Its pre-tax profit increased from Rs 77.80 lakhs for 1974-75 to Rs 192 lakhs for the subsequent year, but slip-ped back to Rs 123 lakhs for 1976-77.

Its operations during the first six months of the cur-rent year have resulted in a pre-tax profit of Rs 45.1 lakhs on sales of Rs 15.62 crores. The after-tax profit is estimated at Rs 18.6 lakhs. The chairman has said that the company's working in the second half of the current year has been fairly good with sustained increase in sales and profits.

In the field of trading acti-vities, the company is one of the leading sellers of dyestuffs in the country.

Capital and Bonus Issues

Consent has been accorded to nine companies to raise capital of Rs 110.2 million. The following are the details:

Navjivan Roller Flour and Pulse Mills Limited: Rs 5 lakhs in the ratio of one bonus share of Rs 100 each for every three equiy shares of Rs 100.

Shri Hap Chemical Enter-prise Pvt Ltd: Rs 1,00,000 in the ratio of one bonus share of Rs 100 each for each equity share of Rs 100.

Guest Keen Williams Limited: Rs 486,64,060 in the ratio of one bonus share of Rs 10 each for every two equity shares of Rs 10.

Tata Finlay Ltd: Rs 200 lakhs in the ratio of one bonus share of Rs 10 each for every three equity shares of Rs 10.

Pudumjee Pulp and Paper Mills Limited: Rs 75 lakhs in the ratio of one bonus share of Rs 10 each for every three equity share of Rs 10.

Consolidated Mill Supplies Pvt Limited: Rs 80,000 in the ratio of four bonus shares of Rs 100 each for every 25 equity shares of Rs 100.

J.B.A. Printing Inks Limit-ed: Rs 11 lakhs in the ratio of one bonus share of Rs 100 each for each equity share of Rs 100.

Brooke Bond India Limited: Rs 73 lakhs in equity shares of Rs 10 each credited as fully paid up to IDBI/IFCI/UTI/ LIC/GIC and its subsidiaries on conversion of a part of their loans/debentures to the extent of Rs 87.60 lakhs (in-clusive of the premium) out of loan/debentures granted to the company, at a premium of Rs 2 per share and offer for sale of 16,75,000 equity shares of Rs 10 each of the face value of Rs 167.50 lakhs from out of the share-holding of Brooke Bond Libebig Ltd, UK at a premium of Rs 2 per share of Rs 10 each to be allotted on rights basis (Rs 142.425 lakhs), to the public financial institutions (Rs 15 lakhs) and to employees and business associates of the com-pany (Rs 10.075 lakhs) for reducing its non resident share-holding.

Tata Burroughs Limited: Rs 250 lakhs in equity shares on a 50:50 basis to Tata Sons Ltd and Burroughs Europe-Africa Inc for cash at par.

Quarter century of development progress

The World Bank has published a report (entitled World Development Report, 1978) on some fundamental problems confronting the developing countries. The report explores relationship of these problems to the underlying trends in the international economy. It assesses the progress in accelerating growth and alleviating poverty and identifies some of the major policy issues that will affect their prospects. This is the first of a series of annual reports by the World Bank intended to provide comprehensive assessment of global developments. Below are given the conclusions arrived at in the report in certain important areas of policies and prospects for development progress.

THE DEVELOPMENT progress of the past twentyfive years has exceeded early expectations in many respects. Nonetheless about 800 million people, more than one-third of the total population of the developing world, still live in absolute poverty. The central objectives of the international development task must be rapid economic growth and the reduction of poverty.

Main Areas

This report has discussed the policies and prospects for development progress in these main areas:

- Sustaining rapid economic growth;
- Modifying the pattern of economic growth so as to raise the productivity and incomes of the poor;
- Improving the access of the poor to essential public services;
- Maintaining an international environment supportive of development by improving the framework for international trade, facilitating an expansion of lending at market terms and expanding the volume of concessional assistance.

Rapid growth is fundamental to any development strategy. In the low-income countries, in particular, substantial and sustained progress in reducing poverty will be impossible without accelerating growth rates. But growth alone is not enough because the poor tend to share less than proportionately in growth, since they have only limited access to productive assets such as education and employment. Deliberate action is necessary in areas that affect the distribution of increases in income. These include the structure of economic incentives, the allocation of investments and the creation of special institutions and programmes to increase the productivity of the poor and their opportunities for employment.

Rural Sector

In the low-income countries, with their large numbers of rural poor and heavy dependence on agriculture, the main emphasis must be placed on raising productivity in the rural economy, particularly the productivity of small farmers. In parts of Asia where a large potential for irrigation can be tapped, output can be increased rapidly by stepping up irrigation investments. Changes will be necessary in the administration and organisation of agricultural support services, to assure that information is disseminated broadly and quickly and that the services are responsive to the special needs of small farmers. In rainfed areas, too, there is considerable scope for progress with present knowledge. But in the drought-prone areas of sub-Saharan Africa and Asia, major technological problems remain to be resolved if long-term agricbltural growth is to be achieved.

Increasing Productivity

Measures to make crop cultivation more productive should be supplemented by dairy, poultry and fisheries programmes which are particularly important in raising the incomes of small and marginal farmers and the landless. But even on optimistic assumptions about the growth of agriculture, underemployment will be a growing problem in low-income Asia, calling for greater emphasis on creating non-farm jobs in rural areas and systematic expansion of large-scale public works programmes.

Strengthening rural and infrastructure to support these development efforts will be highly demanding of investment funds in industry as well as in agriculture. Capital needs to be used more efficiently, but rapid increases in investment rates will still be essential. To achieve the necessary levels of investment will require an increase in domestic savings, both public and private, supplemented by large inflows of concessional capital.

Strategic Choices

The uncertainty about international trade and capital movements in the next few years poses strategic choices for the middle-income countries, which are more affected by changes in international economic conditions. In most of them, efforts to sustain the growth of export earnings will have to be supplemented by measures to achieve a more broadly based expansion of domestic demand. This will require a more balanced growth strategy, including the acceleration of agricultural development. Greater priority will need to be given to investments in the physical infrastructure supporting agriculture, the creation of a more satisfactory set of incentives and relative prices and much improved support services.

Measures to preserve the growth of foreign exchange earnings include raising export incentives; increasing the domestic value added in manufactured goods exports; and

particulraly for the more advanced countries, exporting a more diverse range of manufactured goods. Measures to further the growth of trade among developing countries will also be important.

The poor in both the middle-income and low-income countries have very inadequate access to such public services as health facilities, potable water, sanitation and education. Programmes designed specifically to make these services accessible to the poor should be an important part of development. In nearly all countries, there is a good deal of scope for extending such services more widely within the same budgetary allocations, by adapting successful experiments in low cost delivery systems, by using suitable technologies and design standards and by relying more heavily on the participation and self-help efforts of the communities who are to benefit. Nonetheless, extending the supply of public services to the full population will require substantial additional investments in all types of infrastructure and large increases in public expenditures to operate and maintain these systems.

Formidable Obstacles

Measures to alleviate poverty will run into social, political and administrative obstacles which must not be underestimated. The strength of deepseated traditions, weaknesses in administration and opposition from affected groups can make it formidably difficult for even the most dedicated governments to modify the patterns of economic growth or to alter the distribution of essential public services. These problems are even more severe when economic growth is slow and the resources available for investment and public services remain relatively stagnant.

Serious though these obstacles may be, they are no justification for inaction. Success is far more likely if governments set themselves explicit targets for the growth of incomes of the poorest groups and for the extension of basic public services and then monitor progress regularly. The paucity of data on incomes, nutritional deficiencies and access to public services reflects the absence, until recently; of policy concern with the poor and of anti-poverty programmes with specific objectives. The collection of of data on the conditions of the poor is within the capacity of most countries and will be vital to them in evaluating their policies, programmes and investments.

Coordinated Approach

However, progress in the developing countries does not depend solely on domestic efforts. The latter must be reinforced by international action in a number of areas.

The most important of these areas is international trade. The scope for the growth of exports from developing to industrialised countries is likely to be much more limited for the next decade than it was in the last two. The main reasons for this are the faltering pace of economic recovery in the industrialised countries and the rise of protectionist pressures. A coordinated approach to the demand management problems of industrialised countries is essential if they are to avoid a protracted period of slow growth, with its extremely adverse consequences for the growth of trade, including an increase in import barriers. The need for such an approach has been discussed in several forums, including the OECD and the Interim Committee of the International Monetary Fund, but progress has been modest so far.

Significant Links

In considering how to accelerate growth in industrialised countries, the importance of links with the developing countries should be recognised. Twentyfive years ago these links were imperceptible; today they are significant. Import demand in developing countries has remained buoyant enough in recent years to help maintain production and employment levels in important export-oriented industries of the OECD countries. With more purchasing power, the developing countries can help to stimulate demand further.

The international community faces a long period of shifting comparative advantage and it is essential that countries be ready to accept and facilitate the changes in industrial structures that this will involve. A few countries have undertaken studies of the direction these changes are likely to take over the longer run. Others should do the same since such information is necessary for framing and implementing appropriate adjustment policies. It would impart a desirable sense of urgency if governments were to commit themselves to formulating such policies and agree to consult on their implementation in an internatonal forum such as the OECD.

The developing countries, too, face problems in adjusting to changing international trade patterns. The more advanced of them need to step up programmes to diversify the product composition and markets of their manufactured exports. To promote trade among developing countries will require changes in industrial incentive structures, reduction of trade barriers and strengthening of the institutional infrastructure in transport, communications and credit.

In addition, countries must move jointly to strengthen the international framework governing trade relations so as to assure that the barriers to trade, which exist in both industrialised and developing countries, will be gradually dismantled and that explicit criteria are established for these barriers which must be imposed to deal with temporary difficulties.

Active Participation

As international specialisation increases, active participation by developing countries in international trade discussions will become more and more important to offset protectionist pressures and progressively reduce the impediments to the growth of trade. For countries that still depend heavily on exports of a few primary commodities, action to reduce fluctuations of prices and to improve the systems which compensate for temporary declines in earnings is of great importance.

Even with a steady expansion of earnings from trade, the resources available to the developing countries must be supplemented by an adequate inflow of external capital. In this area, too, there are uncertainties. They relate to the rate of growth of private lending, the expansion of the lend-

ing capacity of the multilateral financing institutions and the increased availability of Official Development Assistance (ODA)

Net disbursements of Official Development Assistance are projected to rise from US$19 billion in 1975 to US$57 billion in 1985 (in current prices), with a gradually rising share of the total going to the low-income countries. Official Development Assistance from members of the DAC is projected to rise from US$14 billion in 1975 to US$44 billion in 1985. Despite this increase, ODA as a share of their Gross National Product would rise only slightly—from 0.36 per cent in 1975 to 0.39 per cent in 1985. This still falls far short of internationally declared objectives. Even the projected availability of ODA is not likely to be realised unless three large contributors—the United States, W. Germany, and Japan—increase their commitments substantially. Statements have been made in all three countries in support of an enlarged aid effort, but they have yet to be translated into action.

Additional concessional resources would permit both a higher rate of growth and greater progress in dealing with poverty. The large investments necessary to accelerate growth in agriculture and expand public services require an increased flow of concessional capital to the low-income and to the poorer of the middle-income countries. Although at particular times, in individual countries, there may be temporary problems of absorptive capacity, there is no doubt that additional resources could be used effectively. Additional external resources cannot guarantee either accelerated growth or success in dealing with poverty, but the absence of adequate resources greatly increases the probability of failure.

The net flow of capital at market terms is of special importance to the middle-income countries. The projected increase from US$25 billion in 1975 to US $ 78 billion in 1985 (at current prices) assumes that lending by the private sector and multilateral lending institutions will grow at 12 per cent a year. This involves a number of issues.

Much of the recent growth in private lending to developing countries has come from a relatively small number of large banks, mainly in the United States. Future lending from these banks to the developing countries may be limited by the growth of the banks' own capital and by internal considerations of appropriate balance in their portfolios. Other banks, including some in Europe and Japan and non-bank private investors are increasing their share of developing country financing. If the projected increase in private lending is to materialise, it is important that this trend continues.

The projected growth of net lending from private banks to developing countries involves an even more rapid expansion of gross lending, due to the rather short average maturity of private financing in recent years. The high ratio of gross to net lending has the potential for serious instability. To reduce this will require

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measures which will extend the average maturity of private lending to the developing countries, including improved access to the long-term bond markets.

Fragile Mixture

Whether the projected net flow of private lending to developing countries will be achieved depends on a fragile mixture of fact and psychology. The concentration of past lending in a relatively few large borrowing countries has made lenders sensitive to developments there. A debt management problem in any one major borrower could easily affect the willingness of private lenders to lend to other developing countries. Present prospects do not suggest a general problem of debt servicing capacity, but individual countries could encounter short-term liquidity problems. Expansion of the resources of the International Monetary Fund would augment the capacity to deal with such problems.

More general difficulties might arise if the trade regime were to deteriorate further, since this would affect countries' export earning capacity and hence their capacity to service debt. The willingness of private institutions to lend might also be affected by the regulatory environment in the capital exporting countries and by their governments' attitude to lending to developing countries. Some actions designed to assure the stability of the banking system in the capital exporting countries could, by causing abrupt changes in the availability of finance to the developing countries, trigger the sort of debt crises that they are intended to prevent.

International lending institutions are the principal source of long-term capital for the developing countries. Their declining share in the total supply of capital is reflected in the deteriorating maturity profile of the debt of middle-income countries. The achievement of a better balance between medium-term lending from private sources and long-term lending from the international institutions crucially depends on the capacity of the latter to increase their lending. This requires early agreement to expand the capital of these institutions. Action to do this is now under consideration.

Increased lending by the international financial institutions not only helps to improve the maturity structure of debt but also provides assurance to private lenders—either through co-financing activities or indirectly—about the quality of investment programmes and debt management in the developing countries.

Special Aspect

One special aspect of the availability of capital is the financing of energy development, particularly for oil and gas resources. Sometimes the known or suspected deposits of petroleum and gas in developing countries are too small to attract the major international companies even if they are of importance to the countries themselves; or the risk of exploration within the limited territory of a small country cannot be offset by exploration in adjoining tracts in neighbouring countries; or the investment climate is too risky.

To finance the development of energy resources in developing countries will demand substantial amounts of external capital and expertise. Private risk capital, which in the past has been a major source of finance, is now less readily available.

The World Bank has begun to provide financing for this purpose and plans to expand such operations in association with private capital. Other international institutions are considering similar programme. Such programmes ought to be expanded rapidly and governments should consider whether expanded insurance and guarantee provisions could augment the flow of private capital.

Role of Exports

The above discussion of the areas in which international action is needed has emphasised their importance for the prospects of developing countries. But it should be obvious that the industrialised countries too have a large stake in the rapid growth of the volume of trade in a liberal, non-discriminatory trading environment and in more stable commodity prices. While their rate of economic growth is not as senstive to short-term changes in international trade, exports play a major role in their economies and the developing countries are increasingly important markets for export industries.

The maintenance of a liberal, non-discriminatory trading system facilitates the continued growth of labour productivity and helps to ease inflationary pressures. Increasing the supply of energy and food to meet growing demand from both industrialised and developing countries is of vital importance to both. The developing countries not only are important customers for the exports of industrialised countries; they are an important element in the world capital markets and have helped to invest the vastly expanded supply of savings productively.

The interdependence between the developing and the industrialised countries is not a new phenomenon, it has been growing in importance for decades. But it is, perhaps, not yet fully understood how far the process has come, nor how much further it will go in the next decades.

At present, there is concern with the short-term disruptions caused by shifts in trade patterns, rather than recognition of the vital contribution of trade to longrun growth in productivity; concern with the growing indebtedness of some developing countries, rather than emphasis on strengthening institutional capacity for financial intermediation in line with global needs; fear about the implications of shifting economic strengths, rather than acknowledgement of the benefits of accelerated progress in the developing countries.

Current Need

The current need to adjust is not a transient problem, it reflects a continuing long-term, structural shift. It is important, therefore, that the implications and benefits of global interdependence be fully recognised. It will be to the advantage of all countries to sustain an international environment that supports the efforts of developing countries to sustain rapid growth and alleviate poverty as rapidly as possible.

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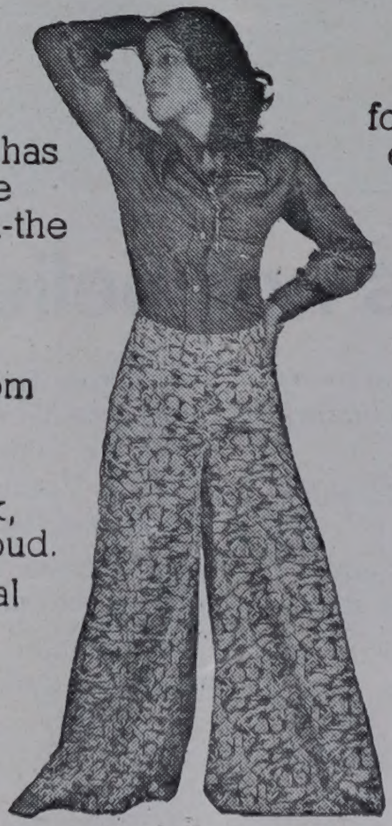

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